

CIRCULAR

SEBI/HO/MIRSD/CRADT/CIR/P/2020/2

January 03, 2020

To

All Credit Rating Agencies (CRAs) registered with SEBI

Dear Sir/ Madam,

Sub: Strengthening of the rating process in respect of 'INC' ratings

1. SEBI vide circular no. SEBI/HO/CFD/CMD1/CIR/P/2019/140 dated November 21, 2019 mandated listed companies to make public disclosure on stock exchanges of:
 - a. default in payment of interest/installment obligations on loans, including revolving facilities like cash credit, from banks/financial institutions which continues beyond 30 days and
 - b. default in case of unlisted debt securities i.e. NCDs and NCRPS, promptly but not later than 24 hours from the occurrence of the default.
2. In partial modification to SEBI Circular no. SEBI/ HO/ MIRSD/ MIRSD4/ CIR/ P/ 2017/ 71 dated June 30, 2017, the No Default Statement (NDS) is being aligned with the requirements of the aforementioned circular. The revised NDS is placed at **Annexure A**.
3. In order to further strengthen the rating process of the CRAs with regard to 'Issuer not cooperating' (INC) ratings, following directions are being issued:
 - a. If an issuer has all the outstanding ratings as non-cooperative for more than 6 months, then the CRA shall downgrade the rating assigned to the instrument of such issuer to non-investment grade with INC status. If non-cooperation by the issuer continues for further six months from the date of downgrade to non-investment grade, no CRA shall assign any new ratings to such issuer until the issuer resumes cooperation or the rating is withdrawn.
 - b. The withdrawal norms for the ratings have been stipulated vide Circular no. SEBI/HO/ MIRSD/DOP2/CIR/P/2018/95 dated June 06, 2018. However, in case of multiple ratings on an instrument (where there is no regulatory mandate for multiple ratings), a CRA may withdraw a rating earlier than stipulated in the aforementioned circular, provided the CRA has:

- i. rated the instrument continuously for 3 years or 50 per cent of the tenure of the instrument, whichever is higher; and
 - ii. received No-objection Certificate (NOC) from 75% of bondholders of the outstanding debt for withdrawal of rating; and
 - iii. received an undertaking from the issuer that another rating is available on that instrument.
- c. At the time of withdrawal, the CRA shall assign a rating to such instrument and issue a press release, as per the format prescribed vide Circular dated November 01, 2016. The Press Release shall also mention the reason(s) for withdrawal of rating.
4. **Applicability:** The circular shall be applicable with immediate effect except para 3(a) which shall be effective from July 01, 2020.
5. This circular is issued in exercise of the powers conferred by Section 11 (1) of Securities and Exchange Board of India Act, 1992 read with the provisions of Regulation 20 of SEBI (Credit Rating Agencies) Regulations, 1999, to protect the interest of investors in securities and to promote the development of, and to regulate, the securities market.

Yours faithfully,

Surabhi Gupta
General Manager
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Annexure-A: Standard Template for No Default Statement (Minimum Information be sought)

To

<CRA Name and Address>

Dear Sir/ Madam,

1. We hereby Confirm that as on date there are no Over dues or default on our listed debt obligations.
2. We hereby Confirm that as on date there are no Over dues or default on our unlisted debt obligations.
3. We also confirm that in the month ended <Month and Year name>, there has been no instance of delay in servicing of our listed debt obligations.
4. We also confirm that in the month ended <Month and Year name>, there has been no instance of delay in servicing of our unlisted debt obligations.
5. We also confirm that in the month ended <Month and Year name>, there has been no instance of delay in servicing of debt obligations guaranteed by us.
6. We hereby Confirm that as on date there are no Over dues or default on payment of interest/installment obligations on loans from banks/financial institutions which continues beyond 30 days.
7. We hereby Confirm that as on date there are no Over dues or default on revolving facilities like cash credit, from banks/financial institutions which continues beyond 30 days.
8. We also confirm that there has been no overdraw of the drawing power sanctioned by the bank for a period of more than 30 consecutive days in case of bank facilities which do not have scheduled maturity/repayment dates.
9. Details of default in payment of interest/installment obligations on loans including revolving facilities like cash credit from banks /financial institutions and any over overdraws beyond what is sanctioned by the bank, beyond 30 days as on date/ in the month ended <Month and Year name>, in any of the above case (if any).

Name of Lender	Nature of obligation	Date of default	Current default amount	Amount to be paid	Actual Date of Payment(if any)	Remarks

10. Details of default in payment of principal/interest obligations as on date/ in the month ended <Month and Year name>, on our listed and unlisted debt obligations, in any of the above cases (if any):

Name of the Instrument	ISIN	Amount to be paid	Due Date of Payment	Actual Date of Payment	Remarks

Thanking You,

Yours faithfully,

<Authorized Signatory of Issuer>