Brickwork Ratings Policy

1. Ratings Mandate

Brickwork Ratings (BWR) undertakes a rating assignment on receipt of a mandate from the client. This signifies that the client has accepted the terms/conditions stipulated by BWR in terms of fully co-operating with BWR for completing the assignment, and where necessary maintain surveillance and complete periodical review.

2. Assignment of Rating and publishing

Once Brickwork Rating Committee approval is received, the client is issued a Rating letter and provided with a copy of the draft rating rationale, to ensure that the factual information is correctly incorporated. All Initial Ratings issued by BWR and the Rating rationale need acceptance of the issuer within five days of issue. On receipt of the client's acceptance of Rating, the rating rationale is published and also placed on BWR's website. Unaccepted Ratings shall also be published on the BWR website.

3. Provisional Rating

A provisional rating may be assigned when there is a need for completion of certain formalities and/or submission of final documents / proof of executed documents etc. Generally, a provisional rating would be assigned the final rating within a period of 6 months. For policy refer Annexure I.

4. Rating Appeal

In the event, a client /issuer disagrees with the rating assigned, they can appeal for a review of the rating as detailed in Annexure II.

5. Ratings Surveillance/Review

BWR maintains ongoing surveillance of all its ratings for the life of the rated issue/facility and conducts a Rating review on an annual basis for NCD/bonds and Bank Loan Ratings. BWR requires the co-operation of the client for periodically providing all information, financial statements, advising any significant developments, management changes etc. On receipt of required information and fee from the client, bankers. Trustees etc. as the case may be, a rating review will be carried out and rating will be advised to the client and also published. A rating review can be conducted at a shorter interval also depending on each case. While client acceptance of the rating is required for initial rating, acceptance is not required for a rating arising out of a review.

6. Rating overdue for review and Issuer Non-cooperation

All ratings assigned by BWR are valid for a specified period from the date of assignment depending on the nature of the instruments/facilities rated-(a) Ratings for short term instruments are valid for not more than 12 months (b) Ratings for medium/long term instruments are valid for 12 months (c) Bank loan ratings are normally valid for 12 months or shorter depending on the nature of the facilities

6.1. Where Annual Review of the Ratings assigned to Bond Issue/NCD Issue/Bank Loans, cannot be undertaken in time for any reasons, an advisory "Rating Not Reviewed" would be published on the BWR website immediately on the next working day. Action for issuing the advisory would be initiated in a) Bond/NCD rating cases where the annual rating review has become overdue - on the very next day after completing 12 months from the date of publishing the relevant Rating Rationale and (b) Bank loan Rating cases where annual review has become overdue - on the very next day after completing 12 months from the date of publishing the relevant Rating Rationale

6.2. However, even after further follow up by BWR, if there is no progress, then a review will be undertaken based on available information and a suitable rating will be assigned. In such cases the credit rating symbol shall be accompanied by the suffix "ISSUER NOT COOPERATING" in the same font size. The suffix shall be explained below and shall read as 'Issuer did not cooperate; based on best available information'.

6.3. Even after moving a rating to 'INC (Issuer Not Co-operating) Category', if the issuer provides surveillance mandate and the required information, fresh review can be done. Further, even when a rating is continuing under 'INC Category', if public information is available on any material events, BWR will take suo moto notice and initiate appropriate rating action.

6.4. If an issuer has all the outstanding ratings as non-cooperative for more than 6 months then the rating assigned to the instrument of such issuer shall be downgraded to non-investment grade with Issuer Not Cooperating [INC] status. If non-cooperation by the issuer continues for further 6 months from the date of downgrade to non-investment grade, no Credit Rating Agency shall assign any new ratings to such issuer until the issuer resumes cooperating or the rating is withdrawn. This instruction will be effective from July 1, 2020.

For policy refer Annexure III.

7. Credit Watch

Placing a rating on credit watch may be necessary under certain circumstances where it would be very difficult to make any reasonable assessment on the issuing Company's performance in the near term. It shall be the endeavor to take a Rating out of Credit Watch within a time frame of 6 months. For policy refer Annexure IV.

8. Default Recognition and Post-Default Curing Period

Brickwork Ratings (BWR) emphasizes on the timely recognition of default for the rated debt instruments and other Bank loans as part of its rating process. BWR's default recognition policy is in-line with the guidelines of SEBI and RBI and is consistent with the Standard Operating Procedures for CRAs for monitoring and recognition of Defaults. For policy refer Annexure V.

9. Management Interaction and Site Visits

Brickwork Ratings (BWR) understands the value of interaction with the management of the company/client while undertaking the rating of a client/borrower. The rating team would follow the following guidelines for the new clients and already rated clients that are in the active category and not in INC category. For policy refer Annexure VI.

10. Rating Withdrawal

Ratings issued by Brickwork Ratings will be under surveillance for the life of the rated instruments/credit facilities and till final redemption. A rating may be withdrawn under the following conditions:

10.1. NCDs / Market Instruments on full redemption on the due date or before maturity.

10.2. In case of multiple ratings on an instrument [where there is no regulatory mandate for multiple ratings], ratings may be withdrawn earlier than the above, provided BWR has:

10.2.1. Rated the instrument continuously for 3 years or 50 per cent of the tenure of the instrument, whichever is higher, and

10.2.2. received No-objection Certificate [NOC] from 75% of bondholders of the outstanding debt for withdrawal of rating, and

10.2.3. received an undertaking from the issuer that another rating is available on that instrument.

At the time of withdrawal, a rating shall be assigned to the instrument. Withdrawal of a Rating for reasons mentioned in both the above cases, being a rating action, should be placed before the appropriate Rating Committee. A suitable press release should be published specifying the reason for withdrawal of the Rating and the assigned rating at the time of withdrawal.

10.3. Bank Loan Ratings can be withdrawn subject to compliance of the following :

10.3.1. The customer should make a written request.

10.3.2. No Objection Certificate (NOC) from the lending banker [sole banking], Lead bank [consortium], top 2 banks [Multi- ple Banking Arrangement], to be submitted.

10.3.3. The issuer has to clear all fees due to BWR.

10.4. In case of Issuer Rating, if a mandate is not received even after 13 months from the date of earlier rating letter, a notice of withdrawal will be served on the Issuer. If there is no response within 15 days, a Notice of Withdrawal will be published in BWR website. After waiting for 3 months, if no objections are received, a rating will be assigned based on the available information and the same will be withdrawn simultaneously.

10.5. Ratings of open-ended Mutual Fund Instruments can be withdrawn after receiving a request from the Asset

Management Company. As units of such Schemes are held by many investors, such ratings shall be placed on notice of withdrawal for a period of 30 days in BWR's website, where after the ratings will be withdrawn, subject to there being no objections.

In all the above cases suitable press releases will be issued.

Annexure I
Policy on Provisional Ratings

A provisional rating will be assigned for instruments where certain covenants are key determinants for assigning a rating and till all such covenants are fulfilled the rating cannot be finalized. General instances where a provisional rating may be assigned are instruments with

i) Corporate guarantees

ii) Letter of comfort

iii) Partial credit enhancements

iv) Partial credit guarantees

v) Share backed transactions

vi) Securitization transactions

A provisional rating may be assigned when there is a need for completion of certain formalities and/or submission of final documents / proof of executed documents, in respect of crucial instruments such as, agreements, contracts, confirmations, guarantees, trust deed, details of structured payment mechanism, creation of escrow mechanism or assignment of fixed deposits, etc.

When BWR assigns provisional ratings, its existing long-term and short-term rating symbols will be prefixed with the term 'Provisional'. For example, 'Provisional BWR AAA' or 'Provisional BWR A1+'.

Post assigning a provisional rating, the analyst shall closely follow up with the issuer/client for submission of appropriate proof for completing the required documentation. On receipt of proof of completion of required documentation, the documents shall be vetted by BWR legal officer for the enforceability of the covenants. On obtaining a satisfactory legal clearence/opinion the mandate shall be put up with suitable recommendation to the Rating Committee for approving/affirming the rating. On affirmation of the rating the prefix 'Provisional' shall be dropped.

Generally, a provisional rating would be affirmed as the final rating within a period of 6 months. If however, the client has not submitted the required documentation by the end of 6 months, an update shall be made to the suitable Rating Committee about the delay, explaining the reason for delay and seek extension of the provisional rating for another 6 months. If the extension is approved, there would be no requirement to do a press release.

If the client does not submit required documentation till the end of 1 year, the analyst has to follow one of the following two actions:

I. If the instrument has been issued, a "Rating Advisory" must be released on the website stating non-receipt of documentation and that a notice has been given to the issuer/client to provide the requisite documentation, failing which at the end of 15 months from the date of initial provisional rating, the rating should be moved to "Issuer Not-Cooperating', assigning a suitable rating based on latest available information. The rating can be reinstated subsequently on receipt of the required documentation

II. If however, the instrument is still proposed and not issued, then the analyst needs to take a letter from the issuer / client seeking continuation of the provisional rating for another year and suitably update the committee on continuation of the rating. The above process would be repeated.

Annexure II

Policy for Appeal on the assigned Rating

In case a client / issuer disagrees with the rating assigned or reaffirmed or revised, it can appeal in writing to BWR to review such a rating. The client / issuer, while submitting the appeal shall also provide any additional or new relevant information complete in all respect and with adequate supporting documents.

Such a request should be received within 5 working days from the date of the communication of the rating to the issuer in case of initial rating and within 2 days in case of surveillance, monitoring or periodic review of ratings.

The Rating Team will analyse the impact of the information received on the rating and place the revised rating recommendation before the Appeal Committee. The Appeal Committee consist of, majority of members that are different from those in the Rating Committee that assigned the earlier rating and at least one-third of the members are independent.

Annexure III

Policy on Issuer Non Co-Operation

Ratings Surveillance/Review

BWR maintains ongoing surveillance of all its ratings for the life of the rated issue/facility and conducts a Rating review at least on an annual basis for NCD/bonds and Bank Loan Ratings. BWR requires the co-operation of the client for periodically providing all information, financial statements, advising any significant developments, management changes etc. On receipt of required information, Bankers and Trustees feedback etc. as the case may be, a rating review is carried out and the rating is disclosed to the client and also published. A rating review is conducted at a shorter interval if the situation so warrants.

Rating overdue for review and Issuer Non-cooperation

All ratings assigned by BWR are reviewed at least once every 12 months but can be reviewed anytime earlier if the conditions so warrant. The following actions will be taken if BWR is unable to receive the necessary information from the issuer during the review of ratings:

I. Where Annual Review of the Ratings assigned to Bond Issue/NCD Issue/Bank Loans, cannot be undertaken in time for any reasons, an advisory “Delay in Periodic Review” would be published on the BWR website immediately on the next working day. The “Rating Advisory” would state the reasons for delay.

II. However, even after further follow up by BWR, if there is no progress, then a review will be undertaken based on available information and a suitable rating will be assigned. In such cases the credit rating symbol shall be accompanied by the suffix “ISSUER NOT COOPERATING” in the same font size. The suffix shall be explained below and shall read as ‘Issuer did not cooperate; based on best available information’.

III. For capital market instruments (NCDs / CPs / FDs), the movement to INC (Issuer Not Cooperating) post completion of the 12 month’s rating validity period, may be done within a month of the rating advisory unless a further delay is explainable due to circumstances beyond the control of the issuer.

IV. For bank loan instruments, the movement to INC may be done before the completion of 15 months from previous rating (in line with regulations), unless the client has clearly refused to cooperate, in which case the INC action can be taken any time after the publication of rating advisory but not later than completion of the 15 months from the previous review date..

V. An issuer/client is required to submit a “No Default Statement” (NDS) every month, which has to be submitted to BWR at the beginning of the ensuing month for the previous month. Failure to submit the NDS for 3 consecutive months would be considered as an act of Non-Cooperation.

VI. An issuer/client is required to pay fee agreed for providing specified rating services. Failure to pay such fee would be considered as an act of Non-cooperation.

BWR may take a Rating action as deemed necessary by it, in case of non-cooperation by the issuer/client.

1. If an issuer has all the outstanding ratings as non-cooperative for more than 6 months then the rating assigned to the instrument of such issuer shall be downgraded to non-investment grade with Issuer Not Cooperating [INC] status. If non-cooperation by the issuer continues for further 6 months from the date of downgrade to non-investment grade,The Credit Rating Agency shall not assign any new ratings to such issuer until the issuer resumes cooperating or the rating is withdrawn.

2. Even after moving a rating to 'INC (Issuer Not Co-operating) Category', if the issuer provides surveillance mandate and the required information, fresh review can be done. Further, even when a rating is continuing under 'INC Category', if public information is available on any material events, BWR will take suo-moto notice and initiate appropriate rating action.

Annexure IV
Policy for placing Ratings on Credit Watch

During the surveillance period of the assigned rating of any entity, there may be sudden events or developments involving changes in business, management, industry or financial profile of the entity. The impact of such developments for the entity's rating may be difficult to assess immediately and hence the rating requires to be put under 'Credit Watch'.

I. Such circumstances (illustrations only) could be (a) Change in Shareholding pattern of the issuing Company which can have an effect on the overall control of the Company, its Management and the way it operates (b) Demerger or Division Spinoff/Buyouts and Takeovers could impact the operations of the Company, its profitability, market share etc. (c) Change in Business Strategy of the issuing Company impacts its profitability and performance.

II. The analyst concerned shall put up to the rating committee with the recommendation that the said entity may be placed under "Credit Watch" with positive/negative or developing implications. Intimation of placing the rating on credit watch shall be given to the issuer/concerned client and such information shall also be published in the public domain.

III. The ratings placed on "Credit Watch" shall be monitored for further confirmation of the effect of these developments from the client. Once a reasonable assessment is possible, the matter may be placed before rating committee (within a reasonable period of 6 months) for removing the ratings from "Credit Watch" for appropriate rating action.

Annexure V
Policy for Default Recognition and Post-Default Curing Period

[Ref: SEBI Cir. No. SEBI/ HO/ MIRSD/ DOS3/ CIR/ P/ 2019/ 70 dated June 13, 2019 and SEBI/ HO/ MIRSD/ CRADT/ CIR/ P/ 2020/ 87 dated May 21, 2020]

Brickwork Ratings (BWR) emphasizes on the timely recognition of default for the rated debt instruments and other Bank loans as part of its rating process. BWR's default recognition policy is in-line with the guidelines of SEBI and RBI and is consistent with the Standard Operating Procedures for CRAs for monitoring and recognition of Defaults.

Default Recognition Policy

BWR recognizes default on first instance of missed payment on a rated instrument. A "default" is defined as delay in payment, as per the payment schedule provided in the concerned agreements/documents executed between the issuer/borrower and the investor/lender. BWR recognizes even a single rupee of missed payment, or delay by a single day as default. BWR considers non-payment of financial obligations on the due-date/or as per specified terms of agreement between the lender and the borrower as default and accordingly downgrades the rating assigned to the instrument/Bank Loan to "BWR D", based on authentic information. Financial obligations refer to both principal and interest payments.

Default recognition on working capital bank loan facilities, which don't have a pre-defined payment schedule (like cash credit, over-draft, letter of credit, etc), is recognized if such facilities remain continuously overdrawn for more than 30 days. See table below for instrument-wise definition of default

In some instances, there may be delays or missed payments due to operational / administrative issues and not attributable to credit issues with the issuer/borrower. These instances typically include operational lapses at the lenders side like failure to debit the CC account on the due date, system / human errors. In such instances, BWR assesses if the delay is solely attributable to operational issues and not credit issues and that the issuer had sufficient funds to make the payment on due date. If BWR believes the intent and ability of the issuer to make the payment, the missed / delayed payment will not be regarded as a default.

Under normal circumstances, a default in one instrument of an issuer will lead to a default rating "BWR D" or a near default rating "BWR C" of all instruments of that issuer. The exceptions to this rule may be in instruments that are backed by a Credit Enhancement (like FDs or guarantees) or are structured to provide a better credit worthiness (escrow, ringfencing of cash flows) or the defaulted instrument is of a different seniority from the other instruments.

Default on Debt Obligations not rated by BWR

When the issuer with an outstanding BWR rating defaults on any of its other financial obligations (not rated by BWR), there could be a probability that the issuer would default on the BWR rated instrument/Bank Loan. Brickwork in such cases may take appropriate rating action (including downgrade to "BWR D". The severity of the rating action would be based on BWR's assessment of the information received regarding reasons of default and the credit quality of the issuer. The considerations for classifying as default may vary according to instrument type / bank loan exposure etc.

Re-schedulement of Debt

BWR does not treat re-schedulement of obligor debt with investor consent prior to the maturity date as default. Under such a scenario, BWR would consider the new payment schedule for its assessment of credit risk. BWR would also take cognizance of the factors that necessitated the obligor to reschedule its debt and the circumstances that led the investor to provide its consent.

Factoring in past defaults

In rare circumstances, if BWR becomes aware of the delays that have occurred in the past and have not been recognized by way of a 'BWR D' rating, the delay shall be recognised by downgrading the rating to 'BWR D'. If the default has been subsequently cured, the rating may be simultaneously upgraded to a non- BWR D rating, in line with the curing period guidelines detailed below.

Fund-based facilities & Facilities with pre-defined repayment schedule

Facilities	**Rating Scale**	**Definition of Default**
Term Loan	Long Term	A delay of 1 day even of 1 rupee (of principal or interest) from the scheduled repayment date.
Working Capital Term Loan	Long Term	A delay of 1 day even of 1 rupee (of principal or interest) from the scheduled repayment date.
Working Capital Demand Loan(WCDL)	Long Term	A delay of 1 day even of 1 rupee (of principal or interest) from the scheduled repayment date.
Debentures/Bonds	Long Term	A delay of 1 day even of 1 rupee (of principal or interest) from the scheduled repayment date.
Certificate of Deposits (CD)/ FixedDeposits (FD)	Short Term/Long term	A delay of 1 day even of 1 rupee (of principal or interest) from the scheduled repayment date.
Commercial Paper	Short term	A delay of 1 day even of 1 rupee (of principal or interest) from the scheduled repayment date.
Packing Credit (pre-shipment credit)	Short Term	Overdue/unpaid for more than 30 days
Buyer's Credit	Short Term	Continuously overdrawn for more than 30 days.
Bill Purchase/Bill discounting/Foreign bill discounting/Negotiation (BP/BD/FBP/FBDN)	Short Term	Overdue/unpaid for more than 30 days

Fund-based facilities & No Pre-Defined Repayment Schedule

Facilities	Rating Scale	Definition of Default
Cash Credit	Long Term	Continuously overdrawn for more than 30 days.
Overdraft	Short Term	Continuously overdrawn for more than 30 days.
Other Scenarios		
When rated instrument is rescheduled:		Non-servicing of the debt (principal as well as interest) as per the existing repayment terms in anticipation of a favourable response from the banks of accepting their restructuring application/ proposal shall be considered as a default. Rescheduling of the debt instrument by the lenders prior to the due date of payment will not be treated as default, unless the same is done to avoid default or bankruptcy.
Curing Period		90 days for default to speculative grade and generally 365 days for default to investment grade

Post Default Curing Period Policy
The curing period principle for default category ratings will apply to fresh rating assignment as well as surveillance assignments and usually are at an issuer level. If BWR is rating an issuer afresh, a non-default rating would not be assigned if the curing period post an earlier default on any instrument of similar seniority has not been completed. For curing period to have been successfully completed, the account should be regular and the issuer should have serviced the debt and interest for all instruments on a timely basis for at least 90 days post the regularization. Only post successful completion of curing period, a non-default rating can be assigned.

However, for ratings on subordinated or hybrid bonds, since a default on such instruments may not necessarily imply a default by the issuer for senior instruments, curing period should apply at instrument level. In case of default on subordinated or hybrid instruments, ratings on senior instruments may not be upgraded during the curing period for subordinated and hybrid instruments.
If rated instrument has credit enhancement or there is a structure around the cash flows, the curing period will apply at instrument level, as default by issuer on other instruments may not imply or lead to default on such an instrument.

On successful completion of curing period of 90 days, generally a sub-investment grade rating will be assigned to the outstanding instruments / facilities of the issuer. For ratings to be upgraded to investment grade, typically the issuer should have been servicing the debt and interest for all instruments on a timely basis for 365 days and should have a credit profile of an investment grade entity.

The check for completion of curing period will be:

- Clear statement of timely servicing of principal and payment of interest for 90 days from bankers (for bank loans) and debenture trustees or IPAs (for capital market instruments).
- A clear statement from the banker that the account continues to be standard for the preceding 3 months.
- 3 months NDS from the issuer
- 3 months bank statements (CC and term-loan statements) from all bankers of the entity showing timely payments and overdraws in CC account being regularized within 30 days
- The above curing principle of 90 days for a sub-investment grade rating and 365 days for an investment grade rating may be deviated from, if the issuer can establish that there is a structural improvement in the credit profile of the issuer from the time that it went into default. Some of the instances where such a deviation may be allowed are:
- Infusion of capital into the entity, substantially improving its liquidity profile
- Merger / takeover of the entity by a stronger entity or change in ownership of the entity
- Regulatory / government action, favorably impacting the entities cash flows
- Restructuring of facilities of the entity, substantially improving its liquidity position

- Removal of the circumstances that lead to the default of the entity (including force majeure events), thereby improving the visibility of cash flows

A mere clearance of past dues is not a reason for an accelerated upgrade of the rating of the entity. The onus of convincing the rating team of an enhanced liquidity (through better expected cash flows, cash on-hand, cushion in CC lines with adequate drawing power, no liquidity mis-matches) lies with the issuer, to get an accelerated rating upgrade.

Annexure VI
Policy for Management Interaction and Site Visits

Brickwork Ratings (BWR) understands the value of interaction with the management of the company/client while undertaking the rating of a client/borrower. The rating team would follow the following guidelines for the new clients and already rated clients that are in the active category and not in INC category.

1. **New clients**

   1.1. For new clients who have approached BWR for a rating for the first time, it is important to understand the management and the facilities of the company (especially in the manufacturing segment). For such new clients following policies will generally be followed and exceptions to these will be presented to the rating committee with the reasons thereof.

   1.2. The rating team should interact with the management of the company in all cases. These interactions can be through the virtual modes like teleconference or videoconference for the lower rated companies ('BBB' category or below). However, for higher rated companies ('A' category and above), any member of the analytical team should preferably have a physical meeting with the company management, where feasible.

   1.3. Further, for manufacturing companies that are setting up a new plant (Greenfield projects) and don't have a history of operations, a member of BWR should preferably visit the manufacturing facilities of the company. While, these site visits can also be undertaken in companies with existing operations, they are less critical given the track record of operations. For Greenfield projects, where site visits are not feasible, the rating team should seek a TEV report from the company or a visit Report by an independent qualified professional.

2. **Existing clients**

   2.1. For existing clients, the rating team should interact with the management of the company at least once a year. The principles of physical meeting vs virtual meeting remain the same as for new clients. Further, for higher rated companies (as defined above), the rating team should interact with the management of the company through teleconference or video conference, at least once every 6 months to understand the performance of the company. In addition to these, interactions may be necessitated based on events that have an impact on the credit profile of the company. These may also be undertaken through a physical meeting or virtual interaction depending on the mutual convenience of the rating team and the company management.

   2.2. All physical meetings can happen at the company's offices / facilities, BWR offices or any mutually convenient place.

   2.3. Management Interaction/visit report should be prepared and shared by the concerned official with the concerned analyst and CP/CCP for information and needful action and for placing it in the clients folder/file in BCRISP.

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