

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 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 letter is issued and the rating rationale is published on BWR's website. Unaccepted Ratings shall also be disclosed on the BWR website.

3. **Provisional Rating**

A Provisional rating may be assigned to debt instruments/borrowing facilities when the rating is contingent upon completion of the critical pending steps and/or execution of pending documentation, as applicable. The provisional ratings assigned by BWR are prefixed with the word 'Provisional'. For detailed policy, please 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**

The facilities/instruments rated by BWR remain under continuous surveillance over the life of such facilities/instruments. The facilities/instruments with scheduled repayment dates (such as term loans or bonds) cease to exist after maturity/redemption or pre-payment and their ratings may be normally withdrawn on such maturity/redemption or pre-payment. In such cases, BWR relies on independent written confirmation (No Dues Certificate (NDC) from the banks/lenders, debenture trustees or auditors to determine whether the rated obligations have been repaid fully. Ratings may also be withdrawn at the written request of the issuer/borrower, even when the facilities/instruments continue to remain in currency, subject to certain conditions including availability of a No Objection Certificate (NOC) from the lender/s/Debenture Trustee/s. Such written request and independent confirmation / NDC/NOC shall be on the official letter head of the borrower/issuer and bank/lender/Debenture Trustee (as applicable)

duly signed by an authorised signatory with seal, or through an e-mail from the official email ID of the Lender / Bank / Debenture Trustee .

The cessation of legal existence of the issuer/borrower may also be a reason for rating withdrawal.

10.1. Withdrawal of rating in respect of securities (NCDs/bonds etc) on full redemption:

10.1.1. Withdrawal of rating in respect of all NCDs/Bonds which are fully redeemed on the due date or prematurely can be done on receiving intimation of such redemption. Documents normally provided by the issuers in evidence of redemption are:

- i. Written confirmation from the issuer for having redeemed the instrument;
- ii. Disclosure of redemption by the issuer in a public website (like that of NSDL or stock exchanges);
- iii. Written confirmation from the investor/s for having received full payment;
- iv. Written confirmation from the Debenture Trustee stating that the instrument is redeemed in full.

10.1.2. b. A written confirmation from the Issuer/Investor and No Dues Certificate (NDC)/Confirmation of redemption from the Debenture Trustee are essential documents and cannot be dispensed with. Where there are multiple investors, Debenture Trustee's written confirmation relating to full redemption of the instrument/s and that there are no obligations against the rated securities, is adequate.

10.2. Withdrawal of rating, where the NCDs/Bonds are not fully redeemed:

10.2.1. a. Ratings of NCDs/Bonds which are not fully redeemed can be withdrawn subject to the following:

- i. Written request from the issuer for withdrawal of rating;
- ii. BWR has rated the instrument continuously for five years or fifty percent of the contracted tenure of the instrument, whichever is higher;
- iii. BWR has received an undertaking from the issuer that another rating is available on that instrument. In addition, an independent verification may be done by the Rating Team.
- iv. While withdrawing the rating, BWR shall review the rating based on available information and mention such rating (which may be different from the existing outstanding rating) in the rationale / press release for withdrawal of rating.

10.3. Withdrawal of rating where the NCDs/Bonds have ratings from multiple credit rating agencies (CRAs) and are not fully redeemed:

10.3.1. In case of multiple ratings on an instrument, where there is no regulatory requirement for multiple ratings, rating may be withdrawn before redemption, provided BWR has:

- i. rated the instrument continuously for three years or fifty percent of the tenure of the instrument, whichever is higher;
- ii. received NOC from seventy five percent of bondholders of the outstanding debt for withdrawal of rating;
- iii. BWR has received an undertaking from the issuer that another rating is available on that instrument. In addition, an independent verification may be done by the Rating Team.

iv. While withdrawing the rating, BWR shall review the rating based on available information and mention such rating (which may be different from the existing outstanding rating) in the rationale / press release for withdrawal of rating.

10.4. Withdrawal of rating in respect of Money Market Instruments:

10.4.1. 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. BWR will rely on the following to ascertain if the rated obligations have been repaid fully:

i. Written confirmation from the Issuing and Paying Agent (IPA) or Debenture Trustees depending upon the nature of the instrument.

ii. Written confirmation from the issuer about the redemption of the instrument.

Both these documents would be required for withdrawal of the rating of the instrument.

10.5. Withdrawal of rating in respect of Fixed Deposits or Public Deposits:

10.5.1. In such cases, rating may be withdrawn under the following conditions

i. **the deposits are fully redeemed as per original terms** - BWR can withdraw the rating based on a written withdrawal request from the entity and a certificate from the auditor that all investors have been paid off (in case of unsecured FD)/ a certificate from the trustee that all investors have been paid off (in case of secured FD)

ii. **Prepayment of all outstanding fixed deposit obligations directly to the investors** - BWR can withdraw the rating based on a written withdrawal request from the entity and a certificate from the auditor that all investors have been paid off (in case of unsecured FD)/ a certificate from the trustee that all investors have been paid off (in case of secured FD)

iii. **the issuer has set aside in an escrow account, an amount that BWR considers adequate for the payment of principal and interest to the depositors** - Rating can be withdrawn at the written request of the entity and submission of auditors' certificate about adequacy of amount in the escrow account to meet the deposit obligations. While withdrawing the rating, BWR shall review the rating based on available information and mention such rating (which may be different from the existing outstanding rating) in the rationale / press release for withdrawal of rating.

iv. **the issuer gives a written request for withdrawal of rating to BWR and confirms non-usage of rating for raising fresh FDs** - The rating is placed on notice of withdrawal for a period of 3 months, after which the rating is withdrawn.

v. **the requirement of rating for some classes of fixed deposits has been removed by some statutory/regulatory action subject to fulfilment of certain terms and conditions** - In such cases, the issuer shall submit the written request for withdrawal, along with documentary evidence of full compliance with all the statutory/regulatory provisions under which the requirement for rating has been removed. The issuer shall also submit the No Objection Certificate (NOC) from at least 75% of FD investors by value for withdrawal of such rating. While withdrawing the rating, BWR shall review the rating based on available information and mention such rating (which may be different from the existing outstanding rating) in the rationale / press release for withdrawal of rating.

vi. **the rated instrument is in default category (BWR D) for more than 3 years** - the rating shall be placed on a Notice of Withdrawal for 3 months and withdrawn thereafter.

10.6. Withdrawal of rating in respect of Bank Loans/ Facilities:

10.6.1. When the rated Bank Loan facilities have been fully repaid the rating can be withdrawn subject to receipt of the following:

- i. A written confirmation from the entity of having fully repaid the rated loan/s along with a request in writing for withdrawal of the rating;
- ii. Written confirmation of having received the full payment towards all the loan obligations from all the Lenders (**No Dues Certificate/No Objection Certificate certifying liquidation of the loans in full**).

10.6.2. When there is a request for withdrawal of rating of a rated proposed Bank Loan facility, the rating can be withdrawn by obtaining an undertaking from the entity that the BWR Rating has not been used for raising any such loan and no amount is outstanding against the rated instrument/facility. Any additional verification, as required in individual cases, may also be carried out.

10.6.3. In respect of other cases (where the loan/s may still be outstanding), the rating can be withdrawn by following the undermentioned guidelines. This is also applicable for cases which are presently in RNR or INC category:

- i. The entity should make a request in writing for withdrawal of the rating;
- ii. 'No Objection Certificate' (NOC) for withdrawal of the rating as follows:
 1. in case of a sole banker/lender, from the sole bank/lender
 2. in case of a consortium lending arrangement, from all the banks/lenders or from the lead banker/lender who must also certify that it is authorized to provide an NOC on behalf of all the consortium lenders.
 3. in case of a multiple banking/lending arrangement, from all the banks/lenders or the top two banks/lenders having the highest exposure.
- iii. While withdrawing the rating and where the obligations are still outstanding, BWR shall review the rating based on available information and mention such rating (which may be different from the existing outstanding rating) in the rationale / press release for withdrawal of rating.
- iv. A suitable press release shall be published specifying the reason for withdrawal of the rating, and duly disclosing the rating (as assessed by BWR, based on available information) at the time of withdrawal.

10.7. Withdrawal of rating in respect of Issuer Rating:

10.7.1. Issuer Ratings which are not specific to any debt obligation are valid for 12 months. If a mandate for surveillance of the issuer rating is not received even after 13 months from the date of earlier rating letter, a Notice of Withdrawal shall be served on the Issuer. If there is no response within 15 days from the date of such notice, a 'Notice of withdrawal' shall be published on BWR website. After waiting for a period of 3 months from the date of publication on the website, and if no objections are received, the rating can be withdrawn, duly mentioning a rating based on available information.

However, if there is any objection, the matter shall be referred to the Issuer concerned and dealt with appropriately.

- 10.7.2. A suitable press release shall be issued about the withdrawal, thereafter, mentioning the rating at the time of withdrawal.
- 10.7.3. However, if an issuer, at any point in time, during the validity of the Issuer rating, requests for withdrawal of the Issuer Rating, Brickwork Ratings (BWR) can proceed with the process of rating withdrawal without placing the rating on Notice of Withdrawal. Further, if the issuer requests for withdrawal of the issuer rating during the withdrawal notice period, the rating may be withdrawn without waiting for the completion of the Notice period.
- 10.7.4. In line with extant regulatory guidelines, BWR would assign a rating on the basis of the available information at the time of withdrawal of issuer rating.

10.8. Withdrawal of rating in respect of Pooled Investment Schemes:

10.8.1. Mutual fund schemes (closed-ended or open-ended), alternative investment funds (AIFs, closed-ended or open-ended) and capital protection-oriented schemes come under pooled investment schemes.

i. Open ended mutual funds, AIF or the capital protection-oriented schemes being perpetual in nature and having no specified maturity, withdrawal of rating of such schemes is permitted. Ratings of such securities can be withdrawn after receiving a request for withdrawal from the Asset Management Company (AMC). However, 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 on BWR's website, where after the ratings can be withdrawn, subject to there being no objections to withdraw the rating received within the notice period. If there is any objection, the matter should be referred to the AMC concerned and dealt with appropriately.

ii. At the time of withdrawal of rating of open-ended mutual fund, AIF or the capital protection-oriented schemes, BWR shall assign a rating for the security based on available information, and issue a press release, indicating the reasons for withdrawal and rating assigned.

iii. 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 and the redemption of the units. BWR relies on the written confirmation of redemption of the scheme/fund by the AMC and redemption-related details available on the website of the sponsor concerned to determine if the units of the scheme/ fund have been fully redeemed.

10.9. Withdrawal of rating in respect of Security Receipts:

- 10.9.1. Withdrawal of rating of Security Receipts (SR) can happen under the following circumstances -(i) Security receipts are fully redeemed or provided for (ii) the life of the trust where the stressed asset has been parked has expired (at the end of 5 years from the date of formation of the trust, or 8 years if the life has been extended) (iii) Before they are fully redeemed, on receipt of a NOC from all the investors or at the written 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.
- 10.9.2. Where the SRs have been fully redeemed, the rating can be withdrawn on a written confirmation from the Trustee, which usually is the ARC creating the trust for parking the stressed asset acquired.
- 10.9.3. In the second case, as per regulations, the validity of a trust is 5 (five) years from the date of formation, and the validity can be extended by another 3 (three) years by the trustee following a due process. Once the tenor is over, the rating can be withdrawn on the basis of an application from the trustee requesting for withdrawal on account of expiry of validity.

10.9.4. The rating can also be withdrawn prior to redemption of the Security Receipts, on either the receipt of an NOC from all the investors or at the written 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.

10.10. Withdrawal of rating in respect of Expected Loss Rating for operational infrastructure assets:

10.10.1. Such rating may be withdrawn at the written request of the rated entity.

10.10.2. In such cases, it is placed on 'Notice of Withdrawal' for at least one month, before being withdrawn at the end of the withdrawal notice period.

10.11. Withdrawal of rating in respect of Provisional Rating:

10.11.1. Initial assignment of provisional rating may be withdrawn under the following circumstances:

i. In case there are material changes in the terms of the transaction after the initial assignment of the provisional rating and when the debt issuance is yet to happen, BWR shall withdraw the existing provisional rating, duly stating that the provisional rating is being withdrawn as there are material changes in the terms of the transaction after the initial assignment of the provisional rating.

ii. In case there are material changes in the terms of the transaction after the initial assignment of the provisional rating and post the completion of the debt issuance (corresponding to the part that has been issued), BWR would withdraw the existing provisional rating and concurrently assign a fresh rating basis the revised terms of the transaction. The withdrawal of the earlier rating and the concurrent assignment of the fresh rating would be communicated via the same rating rationale.

iii. In cases where the documentation has not been completed and the instrument/facility has not yet been issued/raised even at the end of 6 months from the date of assignment of provisional rating, BWR may continue the provisional rating for another six months, upon receipt of a written request from the issuer / entity for continuance of the rating in view of their intention to complete the documentation and the fundraising within the next six months. BWR may grant a maximum of two extensions of six months each, based on specific written requests for each extension from the issuer/entity i.e., for a maximum of 18 months from the date of assignment of provisional rating. If after the expiry of such extensions, the debt is not yet issued/raised, then BWR would withdraw the rating.

iv. In the absence of such written requests for extensions from the issuer, the rating shall be placed on a Notice of Withdrawal for 15 days on BWR website, whereafter the rating shall be withdrawn.

v. If at any point in time, the entity informs BWR that it does not intend to issue the proposed debt instrument/ avail the proposed borrowing and has not used the provisional rating for any other purpose, the provisional rating shall be withdrawn. (For more details, please refer to BWR's Provisional Rating Policy available on www.brickworkratings.com)

10.12. Withdrawal of rating in case of merger / amalgamation / bankruptcy / winding up/liquidation etc:

10.12.1. BWR can withdraw the rating assigned to the facilities/instruments of such entity/fund/scheme which have ceased to have legal existence due to merger / amalgamation / liquidation/winding up etc or for which

the bankruptcy proceedings are underway before the competent authority. In such cases, it may no longer be useful or necessary for BWR to maintain a rating on the rated entity's obligations.

- 10.12.2. The withdrawal of rating under the above circumstances is normally subject to the receipt of a written request from the entity/fund/scheme and a copy of the order of the court/competent statutory authority. However, in case the written withdrawal request is not received due to liquidation/winding up of the entity, the withdrawal may be done on the basis of a copy of the relevant order of the court/competent statutory authority.
- 10.12.3. A new rating may be issued based on any rating request by the new entity arising out of such merger / amalgamation / bankruptcy / liquidation etc.

10.13. Other indicative cases for withdrawing the rating

- 10.13.1. When there is a request for withdrawal of rating of a rated proposed security, the request may be acceded to by obtaining a written undertaking from the entity that the BWR Rating has not been used for raising any such security and no amount is outstanding against the rated instrument.
- 10.13.2. There may be cases where a rating factors in some form of explicit third-party credit support (or some structural features), but subsequently it is observed that either the support becomes redundant, or is no longer available (or vice-versa), or the terms are amended. In such cases, BWR may withdraw the rating and simultaneously assign a fresh rating after taking into account the revised terms/ circumstances. The withdrawal of the earlier rating and the concurrent assignment of the fresh rating would be communicated via the same rating rationale.
- 10.13.3. In case of one time rating exercise with a pre-specified validity period of rating(s) (ULB ratings/Government Bodies' rating etc), the rating(s) may be withdrawn at the end of the validity period. The procedure for withdrawal of such ratings shall be similar to that followed for Issuer Ratings.

In respect of Withdrawal of ratings under all the different scenarios mentioned above, a suitable press release/rating rationale shall be issued on BWR's website and a letter communicating the withdrawal of the Rating shall be sent to the issuer.

Withdrawal of Ratings is subject to payment of the surveillance fees by the issuer/borrower to BWR in accordance with the Rating Agreement failing which appropriate rating action shall be taken in terms of the Rating Agreement and Rating Policy.

Annexure I

Policy on Provisional Ratings

Brickwork Ratings (BWR) has, in accordance with the requirements of SEBI Circular SEBI/HO/MIRSD/MIRSD_CRADT/P/CIR/2021/554 dated 27Apr2021 on "Standardizing and Strengthening Policies on Provisional Rating by Credit Rating Agencies (CRAs) for Debt Instruments", and the subsequent clarifications received from SEBI in this regard, revised its Policy on Provisional Ratings. This revised policy is applicable to all debt instruments and borrowing facilities including securities, bank loan facilities, commercial papers, issuer ratings etc.¹

Assignment of Provisional Rating and Prefix

A. General applicability

BWR assigns a Provisional rating to such instruments/facilities when the rating is contingent upon completion of the critical pending steps and/or execution of pending documentation, as applicable. The provisional ratings assigned by BWR, on both the long-term as well as the short-term scale, are prefixed with the word 'Provisional', denoting that the rating assigned to the instrument/facility is subject to fulfilment of certain

conditions/steps or execution of the pending documentation. Such pending steps or documentation (as applicable) are as follows:

- a) execution of letter of comfort, corporate guarantee, or other forms of explicit third party support;
- b) execution of documents such as debenture trustee deed/debenture trustee agreement, legal 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 (DSRA);
- e) opening up of escrow account; or
- f) for a proposed Real Estate Investment Trust (REIT) or Infrastructure Investment Trust (InvIT), pending formation of a trust but 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 BWR. The provisional rating indicates the final rating that is likely to be assigned to the InvIT/ REIT after the transfer of the shareholding in the designated Special Purpose Vehicles (SPVs) to the trust, raising of the proposed capital etc.

Normally, BWR would assign provisional ratings when key steps or documentation are pending in case of instruments / facilities backed by credit enhancement mechanisms such as guarantees and letters of comfort, debt backed by co-obligor structures, escrow mechanism, DSRA, securitization transactions, REITs/InvITs pending formation of trust etc. However, even in such circumstances, BWR may assign a final rating even if certain actions/ documents are pending, depending on its assessment of the credit profile of the entity.

Mutual fund schemes and capital protection-oriented schemes: In respect of ratings of the mutual fund schemes that are yet to be launched or are yet to invest in the underlying securities or capital protection-oriented schemes that are yet to firm up their investment portfolio, BWR may initially assign a provisional rating based on the expected credit quality and the tenor of the securities in the mutual fund portfolio or on the proposed mix of investment in debt instruments and in equity and subsequently convert into a final rating upon launching of the scheme and investments made.

B. Non-applicability

BWR shall not assign a rating, including provisional rating, to an issuer/entity evaluating strategic decisions such as funding mix for a project, acquisition, debt restructuring, scenario- analysis in loan refinancing, etc, where a scenario based rating assignment is involved.

Rating Symbols

When BWR assigns provisional ratings, its existing long-term and short-term rating symbols will be prefixed with the term 'Provisional' in all communications viz. rating letter, press release / rating rationale, etc. For example, 'Provisional BWR AAA' or 'Provisional BWR A1+'.

Validity Period

Post assigning a provisional rating, BWR shall closely follow up with the issuer/client for confirmation of completion of pending steps and/or executed transaction documents and issuance/raising of debt/borrowings. The issuer/entity should keep BWR informed about the completion/execution of appropriate transaction

related formalities and issuance/raising of debt/borrowings. The provisional rating shall be converted into a final rating following receipt of confirmation of completion of pending steps and/or executed transaction documents, as applicable, and after vetting by BWR legal officer, within 90 days from the date of issuance of the debt instrument/availability of borrowings. The final rating assigned by BWR shall be dependent on the available documents or completed actions, as applicable. In case of pending steps / documentation at the end of 90 days from the date of issuance of debt instrument/availability of borrowings, BWR may grant an extension of upto 90 days from the expiry of the above mentioned validity period, based on the status/progress of the pending steps/documentation of the transaction, on a case to case basis. If such an extension is approved, there would be no requirement to do a press release.

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

Provisional Ratings assigned to securitisation transactions: If the pending actions/documents are not completed/executed within 180 days of assignment of the provisional rating, BWR would withdraw the provisional rating, even if the instrument has been issued.

Conversion of Provisional Rating to Final Rating

BWR's communications for 'Provisional' rating viz., Rating Letter and Press Release/Rating Rationale, shall mention the pending conditions/steps/documentation, based on which the provisional rating is assigned. Upon receipt of confirmation of the completion of the pending actions and/ or execution of the pending documents, as applicable, and after vetting by BWR legal officer, the provisional rating shall be converted into a final rating, in line with the validity period for provisional ratings, as mentioned above, and the prefix 'Provisional' shall be removed.

In case the pending actions/ documents are completed for only a portion of the rated amount, the rating for such portion alone shall be converted into final. The rating for the remaining portion of the rated amount would continue to remain provisional.

The final rating may be the same as the provisional rating in case the completed steps/documentation are consistent with the expectations/assumptions based on which the provisional rating was initially assigned. The final rating may differ from the provisional rating in case the completed actions/executed documents are not in conformity with those envisaged initially. To elaborate, BWR would take rating action as follows:

- i) In case there are material changes in the terms of the transaction after the initial assignment of the provisional rating and when the debt issuance /borrowing is yet to happen.

In such cases, upon being intimated of the material changes by the issuer/entity, BWR shall withdraw the existing provisional rating as the instrument/facility is yet to be issued/raised, duly stating that the provisional rating is being withdrawn as there are material changes in the terms of the transaction after the initial assignment of the provisional rating.

- ii) In case there are material changes in the terms of the transaction after the initial assignment of the provisional rating and post the completion of the debt issuance/borrowing (corresponding to the part that has been issued/availed).

When the terms of the transaction undergo a material change and are not in accordance with the premise on which the provisional rating was initially assigned, BWR would withdraw the existing provisional rating and concurrently assign a fresh final rating basis the revised terms of the transaction. Both the withdrawal of the initial provisional rating and the concurrent assignment of the fresh final rating would reflect in the same press release/rating rationale.

However, in cases where the material changes have occurred due to failure of the structure to work in the manner it was designed to or on account of factors beyond the control of the issuer/ entity, BWR would revise the existing provisional rating based on best available information, irrespective of whether the debt issuance/availment of borrowings has taken place or not.²

In the case of REITs/InvITs, if there are changes in key assumptions, BWR shall obtain a declaration from the issuer that the changes in key assumptions are consistent with its filings with SEBI and revise² the provisional ratings appropriately. Such declaration shall also be disclosed in the press release.

Non issuance of debt or non availment of borrowings

In cases where the documentation has not been completed and the instrument/facility has not yet been issued/raised even at the end of 6 months from the date of assignment of provisional rating, BWR may continue the Provisional Rating for another six months, upon receipt of a written request from the issuer / entity for continuance of the rating in view of their intention to complete the documentation and the fundraising within the next six months. BWR may grant a maximum of two extensions of six months each, based on specific written requests for each extension from the issuer/entity i.e., for a maximum of 18 months from the date of assignment of Provisional Rating. If after the expiry of such extensions, the debt is not yet issued/availed, then BWR would withdraw the rating.

In the absence of such written requests for extensions, the rating shall be placed on a Notice of Withdrawal for 15 days on BWR website, whereafter the rating shall be withdrawn.

If at any point in time, the entity informs BWR that it does not intend to issue the proposed debt instrument/ avail the proposed borrowing, the provisional rating shall be withdrawn. In the case of REITs/ InvITs, if the sponsors do not intend to go ahead with the REIT/ InvIT formation, the provisional rating assigned earlier shall be withdrawn.

However, in case of any material developments affecting the credit profile of the entity being rated, BWR may review/revise² the provisional/final rating, irrespective of the status of the steps/documentation/debt issuance or the validity period as mentioned above.

Additional disclosure requirements for Provisional ratings

In accordance with the stipulations of the aforesaid SEBI circular dated April 27, 2021, additional disclosures shall be made in the press release / rating rationale pertaining to Provisional Ratings as well as in the disclosures relating to Unaccepted Provisional ratings. Details of such disclosures are given below:

Disclosures in the Press Release / Rating Rationale

BWR's press release / rating rationale for Provisional Ratings would also disclose the following:

- a) Pending steps / documentation considered while assigning the Provisional Rating.

b) Risks associated with the provisional nature of credit rating, including those on account of absence of completed documentations / steps.

c) Rating that would have been assigned in the absence of pending steps / documentations which were considered while assigning the provisional rating. In cases where the absence of said steps/documentation would not result in any rating being assigned by BWR (eg., securitisation transactions or proposed REIT/InvIT), the same would be specified in the press release.

d) Validity period for conversion of a provisional rating into final rating, in the case of issued debt/availed borrowing.

e) Disclosures related to REIT or InvITs, wherever applicable:

1. the broad details of the assets that are proposed to be held by REIT / InvIT, the proposed capital structure, etc.

Receipt of an undertaking from the sponsor stating that the key assumptions (relating to the assets, capital structure, etc.) are in consonance with the details filed by the sponsor with SEBI.

In case of change in provisional rating due to change in aforesaid assumptions, the press release shall state that the rating is based on a declaration from the issuer that similar changes have been made in the filing with SEBI.

Unaccepted Provisional Rating

BWR would provide the following supplementary disclosures:

1. Details of the steps taken for assigning the provisional rating (the steps / documentation pending which provisional rating was assigned).

2. In case of REITs/InvITs, the broad details of the assets to be housed under the Trust, the proposed capital structure, etc.

3. Rating that would have been assigned in absence of the said steps / documentation.

¹This policy is applicable with immediate effect for all new rating assignments. The outstanding provisional ratings shall be aligned with this revised policy by December 31, 2021.

²Any review or revision of rating refers to the likelihood of appropriate rating action which may mean an upgrade, downgrade, change in outlook, placement of rating on credit watch etc.

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.

i) Default Recognition Policy

a) Instruments/Facilities that have a pre-defined repayment schedule

BWR recognizes default on the first instance of missed payment on a rated instrument. A “default” is defined as a delay in payment, as per the payment schedule provided in the 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 the 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.

b) Facilities without a pre-defined repayment schedule

Default recognition on working capital bank loan facilities, which do not have a pre-defined payment schedule (like cash credit, packing credit, overdraft, letter of credit etc), is recognized if such facilities remain continuously overdrawn for more than 30 days or overdue for more than 30 days from invocation of the facility. Please refer to Item 5 for the instrument-wise definition of default.

c) Cases where grace period for debt servicing beyond the scheduled payment date is allowed by the lenders or investors

If the terms of sanction of the facility/instrument provide for a grace period to the issuer/borrower to service the debt obligations post the due date, BWR shall consider the due date for payment taking into account such grace period. This is subject to inclusion of such provision in the sanction letter/loan agreement or a written communication from the lender/investor prior to the scheduled due date. A missed or delayed payment by the issuer beyond the allowable grace period shall be treated by BWR as a default.

d) Technical Delays

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

ii) 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. 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. In such cases, BWR shall evaluate the availability of instrument-specific risk mitigants (like external credit enhancements) or if the defaulted instrument is of different seniority from the other instruments. BWR may, based on the existence of such risk mitigating factors, conclude that instances of default on other instruments are not likely to occur in the rated instrument and hence, may not move the ratings on such instrument to BWR D/near default grade.

iii) How is a Default recognized?

BWR follows the guidelines prescribed by SEBI for Instrument wise definition of default as given 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)/ Fixed Deposits (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

Note:

BWR may deviate from the stipulated curing period in cases where the fundamental credit profile of the defaulting entity undergoes a material improvement, while being within the curing period window. Such instances are elaborated later in this document.

IV) Reschedulement of Debt:

BWR does not treat reschedulement of a debt obligation with investor consent prior to the upcoming scheduled payment/maturity date as default provided the debt servicing had been timely till the time the lenders provide the consent to the rescheduling and that the reschedulement was not done to avoid a default/bankruptcy. Under such a scenario, BWR would consider the new payment schedule for its assessment of credit risk and review the ratings appropriately. 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.

V) 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.

VI) Instrument backed by guarantee

Default recognition is generally based on the structured payment mechanism mentioned in the guarantee document. In case of instruments backed by guarantee from a third party and where there is a clearly defined payment mechanism post invocation of the guarantee, BWR shall recognise default upon non-payment of the obligations within the timelines mentioned in such payment mechanism.

In case of guarantees extended for bank facilities, normally no structured payment mechanism is defined. In such cases, irrespective of invocation of the guarantee, if there is a missed payment, BWR would recognise default on the said facility/instrument.

VII) Hybrid Instruments

In case of hybrid instruments, any missed/deferred payments are recognised as default, even if such instances are permitted as per the terms of the hybrid instrument.

VIII) Post Default Curing Period Policy

The curing period principle for default category ratings will apply to fresh rating assignments 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 the successful completion of the curing period, 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 of the most recent default. Only post successful completion of the curing period, a non-

default rating can be assigned.

In respect of facilities/ instruments downgraded to default category, post which the issuer's debt is restructured/ rescheduled such that a revised payment schedule becomes applicable, the curing period would be considered to have commenced from the date when the loan restructuring/ rescheduling is approved, and not from the cut off/ reference date from which the restructuring became effective.

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, the curing period will apply at the 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 a 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 the 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 the 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 overdrawals in CC account, if any, being regularized within 30 days

An entity's rating may continue to be rated as BWR D even after completion of the minimum curing period if in BWR's assessment, the entity may slip to the default status over the short term after a temporary period of regularisation in debt servicing.

Exceptions to policy:

The general curing period 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

- . Technical nature of defaults on account of procedural or system issues, human errors or non credit related factors
- . Removal of the circumstances that lead to the default of the entity (including force majeure events), thereby improving the visibility of cash flows

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.

New clients

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.
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.
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.

Existing clients

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

Valid upto 27 September 2022