

Revision in CRISIL policy for assigning 'provisional' ratings

CRISIL, since 2006, has been directly assigning final ratings for structured obligations, based on factors like the credit quality of guarantor, underlying pool of receivables, credit enhancements, etc as relevant to the transaction; and the presence of legal documents executed to CRISIL's satisfaction. However, with effect from May 2015, CRISIL has revised its policy and will now be assigning 'provisional' ratings where necessary.

In case completion of certain critical steps/documentation is pending at the time of rating assignment, CRISIL will assign provisional ratings to such instruments which will be characterised by a prefix 'Provisional' to the rating symbol. To elaborate, a prefix of 'Provisional' to a CRISIL-assigned rating indicates that the rating centrally factors in the completion of certain critical steps/documentation by the issuer for the instrument; without this, the rating would either have been different or not assigned. The provisional nature of such ratings will be disclosed by CRISIL in its communications, including rating letter and rating rationale. Once the relevant steps/documents (as per expectations when the provisional ratings were assigned) are in place, the provisional ratings will be converted into final ratings.

When CRISIL assigns provisional ratings, its existing long-term and short-term rating symbols will be prefixed with the term 'Provisional' for assigning such ratings. For example, 'Provisional CRISIL AAA (SO)' or 'Provisional CRISIL A1+ (SO)'. On conversion to final rating, the word 'Provisional' will be removed.

This is in compliance with a May 6, 2015, Securities and Exchange Board of India (SEBI) directive, "Standardising the term, rating symbol, and manner of disclosure with regard to conditional/provisional/in principle ratings assigned by CRAs". The directive mandates the use of a common term, rating symbol, and disclosure process by all credit rating agencies (CRAs) for assigning provisional ratings. As per the directive, all CRAs are required to commonly term such ratings as 'provisional' and add a prefix 'provisional' to their existing long-term/short-term rating scale while assigning ratings.

For conversion of the provisional rating into a final rating, CRISIL will follow a policy where the final rating has to be assigned within 120 days from the date of the rating rationale of the provisional rating, provided all the relevant documents are available and meet CRISIL's expectation. However, if the required documents are not received within this period, CRISIL may decide to put the provisional rating on 'watch' for a period of another 60 days. If the required documents still remain pending at the end of 180 days, CRISIL may appropriately factor this development in its rating review of the instrument.