



# CRISIL Real Estate Star Grading (CREST) FAQs



## CRISIL Real Estate Star Grading (CREST)

### 1. What is CREST?

CREST indicates the quality of a graded real estate project in terms of pre-agreed specifications and timeliness of delivery. Projects are assessed on various parameters including construction, clarity of title, and timeliness etc. The grades span from '7 star' to '0 star' – covering the highest likelihood to the lowest likelihood of project being delivered as per pre-agreed specifications and least delay to maximum delay in a timely manner. The signifiers attached to each grade are as follows:

Grade	Definition
<b>7 star</b>	<b>Highest</b> likelihood of a project being delivered as per agreed specifications. Such projects are usually delivered with the <b>least</b> delay
<b>6 star</b>	<b>Very high</b> likelihood of a project being delivered as per agreed specifications. Such projects are usually delivered with <b>very low</b> delay
<b>5 star</b>	<b>High</b> likelihood of a project being delivered as per agreed specifications. Such projects are usually delivered with <b>low</b> delay
<b>4 star</b>	<b>Above average</b> likelihood of a project being delivered as per agreed specifications. Such projects are usually delivered with <b>average</b> delay
<b>3 star</b>	<b>Average</b> likelihood of a project being delivered as per agreed specifications. Such projects are usually delivered with <b>above-average</b> delay
<b>2 star</b>	<b>Low</b> likelihood of a project being delivered as per agreed specifications. Such projects are usually delivered with <b>high</b> delay
<b>1 star</b>	<b>Very low</b> likelihood of a project being delivered as per agreed specifications. Such projects are usually delivered with <b>very high</b> delay
<b>0 star</b>	<b>Lowest</b> likelihood of a project being delivered as per agreed specifications. Such projects are usually delivered with <b>maximum</b> delay

### 2. What is the rationale behind change in nomenclature from rating to grading?

The core reason for such nomenclature change is to differentiate 'project gradings' from 'credit ratings'. CREST does not assesses the *credit-worthiness* of projects/developers, nor does it assess their ability to service their debt obligation in timely manner.

### 3. What is the CREST grading scale?

CREST is assigned on an eight-point scale, which is specific to a city. The highest grading given to any project is '7-star' and the lowest is '0-star.' The assigned grading thus benchmarks the graded project against other real estate projects in the same city.

### 5. Which real estate segments can receive the CREST?

CREST can be assigned to residential, commercial, office, and retail real estate projects, including townships, mixed development projects, special economic zones, information technology parks, and hotels.

**6. What are the CREST criteria?**

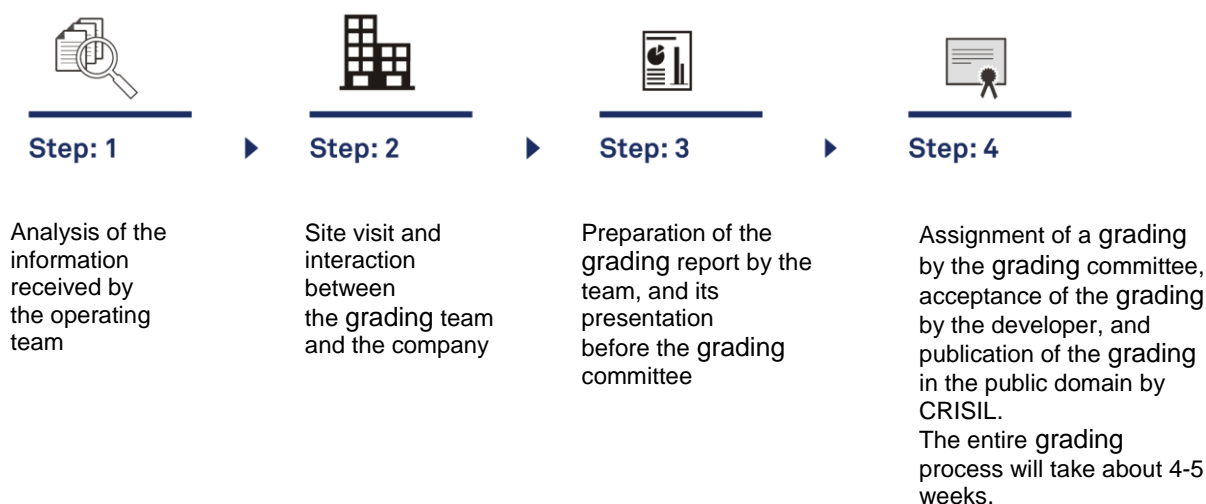
CREST is determined on the basis of project-specific parameters such as the sponsor, construction quality, legal documentation, financial planning, and innovation. For more details refer our website.

**7. As per the criteria, will a superior product in a luxury segment always receive a higher grading?**

No. The grading is based entirely on the expected conformance of a project to the stipulated specifications. It is not based on the level of amenities provided in the project. Thus, it is possible for an affordable housing project to obtain a higher grading than a luxury apartment project.

**8. What is the grading process and how much time does it take?**

The grading process begins as soon as all the requisite information is received from the company executing the project. It comprises the following four major steps:



**9. What is the requisite information for obtaining the grading?**

- a. Developer-specific information, including track record and copy of audited accounts and schedules for the past 3 years
- b. Project-specific information relating to approvals, timelines, and quality
- c. Specific undertakings by developer(s)

**10. At what frequency will CRISIL monitor the project? Can CRISIL change the initial grading assigned?**

CRISIL will regularly monitor the key project milestones relating to statutory approvals, financial results, major construction stages, financial closure, fund disbursements, and sales bookings. The grading will be reviewed and a site visit made at least once a year. The grading will be kept under surveillance until CRISIL receives the occupancy/completion certificate, i.e., till the time the project has been completed or withdrawal of the project by the developer, whichever is later. The grading can be downgraded or upgraded at any time, as in the case of other grading assigned by CRISIL.

**11. Till when is the surveillance fee payable?**

A surveillance fee is payable each year until CRISIL receives the occupancy/completion certificate, i.e., till the time the project has been completed or withdrawal of the project by the developer, whichever is later.

**12. At what stage of a project can the CREST be obtained?**

The grading can be assigned to a project at any stage. Ongoing as well yet-to-be-launched projects can be graded. Projects in their initial stages will directly benefit in terms of pricing and sales ability from the grading. Largely completed and sold projects will derive the indirect benefit of showcasing the developer's capability and track record.

**13. How can a grading be withdrawn?**

A grading can be withdrawn only after the project is completed and the occupancy/completion certificate is in place. If a developer wishes to withdraw the grading, the company should get in touch with the concerned analyst and share the copy of occupancy/completion certificate along with a withdrawal request form. The company has to clear all the dues till that date. Once that is done, the grading can be withdrawn from the system. After withdrawal, the developer has to stop usage of grading logos in all its communication.

**14. How will real estate projects and developers benefit from CREST?**

- Certification from CRISIL, an independent external institution, enhances the credibility and brand value of the project and the developer(s)
- It helps developers take a closer look at their systems and processes and strengthen them further
- It enhances credibility with banks and financial institutions
- It boosts negotiating and pricing power for soliciting private and foreign investments

**15. How can a developer showcase the CREST grading?**

The grading can be displayed at the project site, corporate office, and on letterheads and envelopes, as well as in advertisements. CRISIL will also make all efforts to publicise the grading to retail customers.

**16. What are the final grading deliverables?**

CRISIL will provide a grading letter, certificate mentioning the specific grading and a grading report describing the grading rationale of the project.

**17. The relevance of CREST in the Real Estate Regulatory Authority (RERA) regime**

The Real Estate (Regulation and Development) Act, 2016, seeks to protect home buyers as well as help boost real estate investments. The Act establishes a Real Estate Regulatory Authority (RERA) in each state for regulation of the sector and also acts as an adjudicating body for speedy dispute redressal. The Act came into force on May 1, 2016.

RERA has improved transparency and accountability of developers as critical details and information pertaining to projects, which developers weren't disclosing previously, have been made mandatory.

CREST not only assess transparency but also benchmarks projects and evaluate various other factors such as

- Coherence of legal documentation
- Construction-related risks – consultants involved (design, civil etc.), quality and timeline
- Financial flexibility and viability of a project
- Track record of the developer group

Detailed analysis of each of these factors is done and projects are benchmarked against other similar projects in a specific city. Thus, CREST provides detailed and unbiased third-party opinion to end users.

## About CRISIL Limited

CRISIL is a leading, agile and innovative global analytics company driven by its mission of making markets function better.

It is India's foremost provider of ratings, data, research, analytics and solutions with a strong track record of growth, culture of innovation, and global footprint.

It has delivered independent opinions, actionable insights, and efficient solutions to over 100,000 customers through businesses that operate from India, the US, the UK, Argentina, Poland, China, Hong Kong and Singapore.

It is majority owned by S&P Global Inc, a leading provider of transparent and independent ratings, benchmarks, analytics and data to the capital and commodity markets worldwide.

## About CRISIL Ratings

CRISIL Ratings is part of CRISIL Limited ("CRISIL"). We pioneered the concept of credit rating in India in 1987. CRISIL is registered in India as a credit rating agency with the Securities and Exchange Board of India ("SEBI"). With a tradition of independence, analytical rigour and innovation, CRISIL sets the standards in the credit rating business. We rate the entire range of debt instruments, such as, bank loans, certificates of deposit, commercial paper, non-convertible / convertible / partially convertible bonds and debentures, perpetual bonds, bank hybrid capital instruments, asset-backed and mortgage-backed securities, partial guarantees and other structured debt instruments. We have rated over 24,500 large and mid-scale corporates and financial institutions. CRISIL has also instituted several innovations in India in the rating business, including rating municipal bonds, partially guaranteed instruments and microfinance institutions. We also pioneered a globally unique rating service for Micro, Small and Medium Enterprises (MSMEs) and significantly extended the accessibility to rating services to a wider market. Over 1,10,000 MSMEs have been rated by us.

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