Withdrawal of Rating Policy

Introduction and Objective

ACER is India's newest SEBI-registered credit rating agency, committed to delivering independent and transparent credit ratings. Our purpose is to empower investors, lenders, and businesses with ratings they can trust-enabling informed decisions and fostering confidence in India's financial markets. With a clear vision to support India's economic growth story, ACER upholds the highest ethical and analytical standards, combining deep domain expertise, advanced analytics, and rigorous processes to ensure every rating is objective, consistent, and insightful. At ACER, we are not just rating credit, we are fueling India's journey towards a stronger and more resilient economy.

The objective of the Withdrawal of Rating Policy is to outline the principles and conditions under which ratings may be withdrawn, ensuring such actions are carried out in a transparent, consistent, and regulatory-compliant manner. This policy adheres to the Securities and Exchange Board of India (Credit Rating Agencies) Regulations, 1999, and the latest SEBI Master Circular from time to time. Any exceptions to this policy and procedures shall be approved in writing by the CEO/Chairman of ACER.RSC will annually review this Policy.

Definitions

i. **"Board" or "SEBI"** means the *Securities and Exchange Board of India* established under section 3 of the Act.

ii. **ACER or "the Company":** means ACER Credit Rating Private Limited, a private limited company incorporated under the Companies Act, 2013, and a Credit Rating Agency registered with the Securities and Exchange Board of India.

iii. **"Credit rating agency" or "CRA"** means a "credit rating agency" as a body corporate which is engaged in, or proposes to be engaged in, the business of rating of securities that are listed or proposed to be listed on a stock exchange recognized by the SEBI.

iv. **"Credit Rating" or "Rating"** means the rating agency's opinion on the likelihood of a rated debt obligation being repaid in full and on time. Credit rating is therefore an assessment of the probability of default on payment of interest and principal on a debt instrument.

5. **"Withdrawal of Rating"** means the formal discontinuation of a credit rating by the CRA, either upon completion of documentation and replacement with a final rating, or upon failure of the issuer to comply within the permitted time period.
6. **"Provisional Rating"** means ('long term' or 'short term') for security shall be prefixed as 'Provisional' before the rating symbol in all communications viz., rating letter, press release/rating rationale, etc.

Withdrawal Scenarios Based on Instrument Status

1. Full Redemption and Extinguishment of Obligations

When a rated instrument, facility, or security with a scheduled repayment date (such as term loans or bonds) has reached maturity, been redeemed, or prepaid in full, the rating may be withdrawn. For **Bonds, Debentures, or Listed Securities**, ACER requires a written confirmation from the issuer detailing the redemption, supported by independent documentation such as a No Dues Certificate (NDC) or confirmation from the Debenture Trustee or the Statutory Auditor, certifying that the obligations have been fully repaid and no claims remain.

For **Commercial Paper or other Money Market Instruments**, withdrawal requires written confirmation of 'Nil' outstanding obligations from the entity's Auditors or the Issuer and Paying Agent (IPA).

Withdrawal of ratings on **Bank Loan Facilities** is permitted when ACER receives adequate evidence that the rated obligations have been fully extinguished, or when lenders expressly consent to the withdrawal.

Withdrawal upon Full Repayment / Closure of Facility

For bank-loan facilities that have been **fully repaid**, ACER may withdraw the rating when:

- The **issuer submits a written request** for withdrawal; and
- ACER receives **confirmation of full liquidation** from all lending banks/lenders, typically in the form of a **No Dues Certificate (NDC)** or equivalent documentation.

In cases of consortium lending, an NDC issued by the lead bank is acceptable provided the certificate explicitly confirms that the lead bank is authorised to act on behalf of the entire consortium.

ACER may also rely on:

- Email/letter correspondence from banks confirming loan closure, or
- Internal bank guidelines stating that an external rating is not required below a specified exposure threshold, in place of a formal NOC/NDC.

Where direct bank correspondence is unavailable, confirmation through "Satisfaction of Charges" filings on the Ministry of Corporate Affairs (MCA) website may be treated as valid proof of facility closure.

Withdrawal When Obligations Are Still Outstanding (Outstanding Debt Case)

If the rated bank facility continues to have outstanding obligations, ACER may still withdraw the rating only when:

- The issuer requests withdrawal in writing; and
- The specific bank/lender of that outstanding facility issues a clear No-Objection Certificate (NOC) supporting the withdrawal.

For consortium banking, an NOC from the lead bank, along with confirmation that the lead bank is authorised to act on behalf of all member banks, shall be considered sufficient for withdrawal.

2. Withdrawal When Obligations are Outstanding (Capital Market Instruments)

In adherence to the specific SEBI Circulars stipulated in the Master Circular, ratings for capital market instruments (NCDs/bonds/listed securities) may be withdrawn even if they remain outstanding, subject to tenure requirements and alternative rating assurances:

2.1 Single Ratings on Outstanding Debt:

In terms of Regulation 16(3) of SEBI (Credit Rating Agencies) Regulations, 1999, ACER may withdraw a rating, subject to the ACER having:

i. Rated the security continuously for 5 years or 50 per cent of the tenure of the security, whichever is higher.

ii. Received an undertaking from the Issuer that a rating is already available on that security.

iii. Received an undertaking from the other CRA(s) who have rated the security for the issuer in the past that a new rating has been assigned to such security.

2.2 Multiple Ratings on Outstanding Debt

In case of multiple ratings on a security (where there is no regulatory mandate for multiple ratings), ACER may withdraw a rating earlier than stipulated in the aforementioned circular, provided ACER has:

i. Rated the security continuously for 3 years or 50 % of the tenure of the security, whichever is higher; and

ii. Received No-objection Certificate (NOC) from 75% of bondholders by value of the outstanding debt for withdrawal of rating; and

iii. Received an undertaking from the issuer that another rating is available on that security.

iv. Received an undertaking from the other CRA(s) that a rating is available on such security.

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2.3 Rating Withdrawal of Perpetual Debt Securities that are listed or proposed to be listed on a recognised stock exchange

As per the earlier rating withdrawal provisions, it was observed that in the case of ratings of perpetual debt securities, such as AT-I bonds, that were listed or proposed to be listed on a recognised stock exchange, a credit rating could not be withdrawn unless the security was redeemed. Often, this resulted in the issuer of such bonds on with the CRA.

Therefore, to facilitate withdrawal of ratings of perpetual debt securities that are listed or proposed to be listed on a recognized stock exchange, withdrawal norms were revised. ACER may withdraw ratings of such securities provided that ACER has:

i. Rated such securities continuously for 5 years; and

ii. Received an undertaking from the Issuer that a rating is available on such securities

iii. Received an undertaking from the other CRA(s) that a rating is available on such securities

<u>3. Other Specific Withdrawal Categories</u>

3.1 Fixed Deposits (FDs) Outstanding: If rated FDs are outstanding, withdrawal mandates a significant notice period. If the issuer requests withdrawal and confirms it has stopped using the rating to mobilise new deposits and has also informed depositors (offering them premature withdrawal options), the rating must be placed on a 'Notice of Withdrawal' for at least (06) six months before final withdrawal. Alternatively, withdrawal is permitted if the issuer provides a letter from its Statutory Auditor and a Board resolution confirming the deposits are either fully repaid or that an adequate amount has been set aside in an escrow account for servicing principal and interest obligations.

3.2 Pooled Investment Schemes (Open-ended Mutual Funds/AIFs): Open ended Mutual Fund schemes being perpetual in nature and having no specified maturity, withdrawal of rating of such schemes is permitted. However, as units of such schemes are held by many investors, such ratings shall be placed on notice of withdrawal for at least 30 days, which shall be publicly available on the ACER's website.

Ratings of the aforementioned schemes can be withdrawn after receiving request for withdrawal from the Asset Management Company (AMC) in case of mutual funds;

3.3 For closed ended MF schemes/AIF: Withdrawal after maturity/ redemption, proof of which will be taken from sponsor website/ undertaking.

3.4 Provisional Ratings: If the debt is not issued, the proposed structure differs materially from the provisional rating, or the issuer fails to comply with documentation requirements, the provisional rating may be withdrawn.

3.5 Corporate Events: Ratings shall be withdrawn when the rated entity legally ceases to exist on account of winding up, liquidation, merger, or amalgamation, upon receipt of a copy of the corresponding court order or order from a statutory authority.

3.6 Security receipts- can be withdrawn if such SR are paid in full for fully provided for/ written off along with trustee confirmation for the same, or on receipt of NOC from all investors, or trustee request with undertaking that another rating is available.

3.7 Other ratings -like expected loss ratings, on issuer request, if public, the rating will be put on at least 30 days' notice of withdrawal.

3.8 Debt not placed: If the rated debt is not issued, or some parts are not issued, the unutilised ratings may be withdrawn with issuer/ auditor confirmation.

4. Considerations during notice of withdrawal

Ratings on notice of withdrawal will be monitored till withdrawn and may even be revised during the interim, if merited. At withdrawal, the rating will be reviewed and **revised, if** merited. Information will be sought during this whole period from the issuer, and non-availability will be disclosed in the rating releases.

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