Policy on Withdrawal of Ratings

[Issued in August 2023]

Background

The ratings assigned by CARE Ratings Nepal Limited (CARE Ratings) are not a one-time exercise and are kept under surveillance till the time the obligations under such securities/facilities/instruments are fully extinguished or the ratings are withdrawn, in the situations explained in detail in this document.

CARE Ratings may withdraw a credit rating, in accordance with the relevant regulations or acts as applicable, under the following situations:

- Full redemption: On full redemption of the rated security/instrument/facility, i.e., on confirmation by the rated entity and lender/trustee that the full maturity value of the security/instrument/facility has been paid off and there is no amount outstanding on the rated instrument/facility.
- Proposed debt rated but not placed: On receipt of confirmation from the rated entity to CARE Ratings that the rating awarded has not been used for mobilising funds, and as such, no amount is outstanding against the rated security/instrument/facility.
- Merger/Amalgamation/Liquidation: On merger/amalgamation/liquidation of the rated entity, wherein it may no longer be useful or necessary to maintain a rating on the rated entity. However, in cases of rated securities, even if the issuing company has merged with other company, monitoring shall be continued until settlements of such securities.

Apart from the above, CARE Ratings would withdraw the ratings of specific instruments/facilities as mentioned below:

- **Bank facilities:** The ratings of all types of bank loans/facilities may be withdrawn at the request of the issuer, subject to receipt of No Objection Certificates (NOCs) from all the lending banks OR from the consortium lead in case of consortium of banks, on behalf of all participating banks. NOCs from the banks should be on the bank's official letterhead, duly signed and stamped and specifically mentioning that the NOCs are being issued for such withdrawal of the rating of the facility being availed from the bank. However, in cases where the ratings have not been monitored by the rating agency for at least three years continuously, the rating shall be first placed on Notice of Withdrawal for at least six months before withdrawal.

- **Issuer Rating:** Issuer ratings can be withdrawn upon the receipt of the request for withdrawal from the rated entity. However, in cases where the ratings have not been monitored by the rating agency for at least three years continuously, the rating shall be first placed on Notice of Withdrawal for at least six months before withdrawal.

- **Open-ended Mutual Fund schemes:** The ratings of Open-ended Mutual Fund schemes being perpetual in nature and having no specified maturity can be withdrawn upon the receipt of the request for withdrawal from the asset management company (AMC). However, in cases where the ratings have not been monitored by the rating agency for at least three years continuously, the rating shall be first placed on Notice of Withdrawal for at least six months before withdrawal.

- **Non-cooperation from clients:** A rating may be withdrawn, if assistance is not provided by the client to CARE Ratings to monitor the rating pursuant to Rule 21 of the Credit Rating Regulations and CARE Ratings is convinced that the rating would be meaningless without such assistance. In such circumstance, a 'Notice of Withdrawal' of such rating shall be published for notification of SEBON and general public after carrying out credit rating based on best available information. In case of continuous non-cooperation from the client for over six months from the notice of withdrawal, then CARE Ratings may withdraw the credit rating as per the extant credit rating regulations.

While withdrawing any outstanding credit rating including the ratings placed on notice of withdrawal, CARE Ratings shall also review the rating and reaffirm or suitably revise the rating based on the best available information before withdrawing the outstanding rating, except where there are no outstanding obligations under the security/instrument/facility rated, or the company whose security/instrument/facility is rated is wound up or merged or amalgamated with another company.

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About Us:

CARE Ratings Nepal Limited (CRNL) is licensed by the Securities Board of Nepal w.e.f. November 16, 2017. CRNL is supported by CARE Ratings Limited through a technical services agreement to provide technical support in the areas such as rating systems and procedures, methodologies, etc. from CARE Ratings on an ongoing basis. The technical support shall ensure that CRNL has adequate resources to provide high quality credit opinions in Nepal.

CareEdge is a knowledge-based analytical group that aims to provide superior insights based on technology, data analytics and detailed research. CARE Ratings Ltd, the parent company in the group, is one of the leading credit rating agencies in India. Established in 1993, it has a credible track record of rating companies across multiple sectors and has played a pivotal role in developing the corporate debt market in India. The subsidiaries of CARE Ratings are (I) CARE Advisory, Research & Training Ltd, which offers customised advisory services, credible business research and analytical services (II) CARE Risk Solutions Private Ltd, which provides risk management solutions (III) CARE Ratings (Africa) Private Limited is the first credit rating agency of Mauritius (IV) CARE Ratings Nepal Limited is the credit rating agency of Nepal.

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