

June 2, 2022

Migration of Ratings to the Long-Term Rating Scale from the Medium-Term Rating Scale

In compliance with the [circular](#) [SEBI/HO/MIRSD/MIRSD_CRADT/P/CIR/2021/594] issued by the Securities and Exchange Board of India (SEBI) on July 16, 2021 and the subsequent [circular](#) SEBI/HO/MIRSD/MIRSD_CRADT /P/CIR/2022/43 of April 1, 2022, for standardizing the rating scales used by the Credit Rating Agencies, ICRA is discontinuing the medium-term rating scale which was being used to assign ratings to the fixed deposit programmes of entities.

Accordingly, ICRA is in the process of migrating the ratings outstanding for the fixed deposits programmes from the medium-term rating scale to the long-term rating scale. The medium-term rating scale of ICRA was a 14-point scale, while the long-term rating scale is a 20-point scale. The migration of the rating would result in a change in the rating symbol; however, this is to be construed only as a recalibration of the rating from one scale to another, and not as a reflection of a change in the credit risk of the fixed deposit programme of a particular entity.

On May 2, 2022, the Reserve Bank of India (RBI) had also issued a [notification](#) [DOR.FIN.REC.No.30/03.10.001/2022-23] specifying that the BBB- rating needs to be considered as the minimum investment grade rating for the deposits of Non-Banking Finance Companies (NBFCs).

Drawing from the aforesaid regulatory directives, the minimum investment grade rating for the fixed deposit programmes, regardless of the type of the Issuer, would now be [ICRA]BBB- (as is already the case with all other ratings assigned on the long-term rating scale). On the erstwhile medium-term rating scale, the minimum investment grade rating level was MA-.

ICRA's Long-Term Rating Scale (20-point scale)

Rating	Definition
[ICRA]AAA	Instruments with this rating are considered to have the highest degree of safety regarding timely servicing of financial obligations. Such instruments carry lowest credit risk.
[ICRA]AA	Instruments with this rating are considered to have high degree of safety regarding timely servicing of financial obligations. Such instruments carry very low credit risk.
[ICRA]A	Instruments with this rating are considered to have adequate degree of safety regarding timely servicing of financial obligations. Such instruments carry low credit risk.
[ICRA]BBB	Instruments with this rating are considered to have moderate degree of safety regarding timely servicing of financial obligations. Such instruments carry moderate credit risk.
[ICRA]BB	Instruments with this rating are considered to have moderate risk of default regarding timely servicing of financial obligations.
[ICRA]B	Instruments with this rating are considered to have high risk of default regarding timely servicing of financial obligations.
[ICRA]C	Instruments with this rating are considered to have very high risk of default regarding timely servicing of financial obligations.
[ICRA]D	Instruments with this rating are in default or are expected to be in default soon.

Note: For the rating categories [ICRA]AA through to [ICRA]C, the modifiers + (plus) or – (minus) may be appended to the rating symbols to indicate their relative position within the rating categories concerned. Thus, the rating of [ICRA]AA+ is one notch higher than [ICRA]AA, while [ICRA]AA- is one notch lower than [ICRA]AA.

ICRA's Medium-Term Rating Scale (14-point scale) – now discontinued

Rating	Definition
MAAA	The highest-credit-quality rating assigned by ICRA. The rated deposits programme carries the lowest credit risk.
MAA	The high-credit-quality rating assigned by ICRA. The rated deposits programme carries low credit risk.
MA	The adequate-credit-quality rating assigned by ICRA. The rated deposits programme carries average credit risk.
MB	The inadequate-credit-quality rating assigned by ICRA. The rated deposits programme carries high credit risk.
MC	The risk-prone-credit-quality rating assigned by ICRA. The rated deposits programme carries very high credit risk.
MD	The lowest-credit-quality rating assigned by ICRA. The rated instrument has very low prospects of recovery.

Note: For the rating categories MAA through to MC, the modifiers + (plus) or – (minus) may be appended to the rating symbols to indicate their relative position within the rating categories concerned. Thus, the rating of MAA+ is one notch higher than MAA, while MAA- is one notch lower than MAA.

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