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**Rating Distribution**

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I

## All Ratings

Exhibit: Category-wise distribution of ICRA-assigned ratings

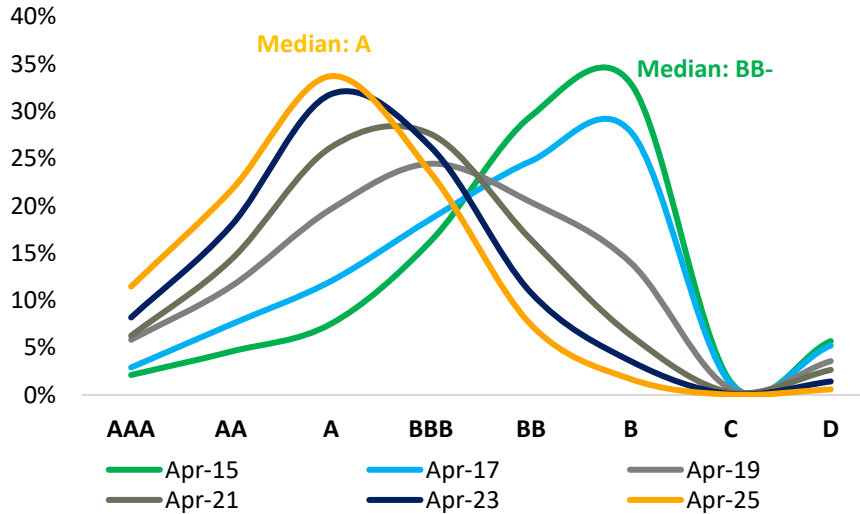
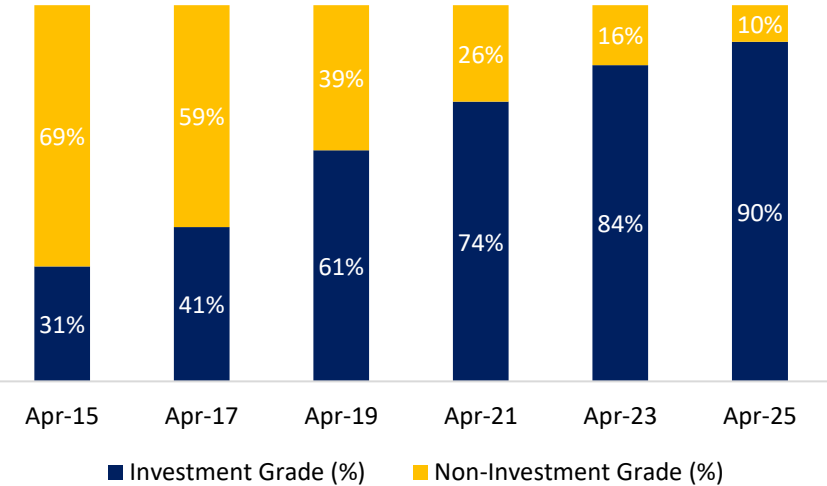


Exhibit: Investment Grade versus Non-Investment Grade ratings in ICRA's rated universe



- The median rating has shifted to [ICRA]A in recent fiscals, from [ICRA]BB- as of April 2015. The median rating was at [ICRA]A- as of April 2022 and April 2023 and shifted to [ICRA]A as of April 2024 and April 2025.
- The shift over the years is driven largely by the change in portfolio mix on account of the discontinuation of rating coverage on many lower rated entities because of such entities' lack of cooperation.

## II | All Ratings excluding Structured Finance (SF)

Exhibit: Category-wise distribution of ICRA-assigned ratings

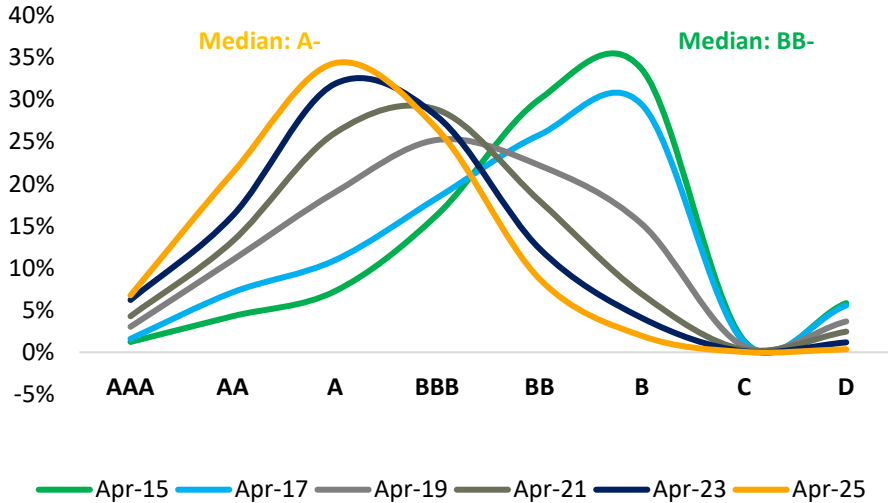
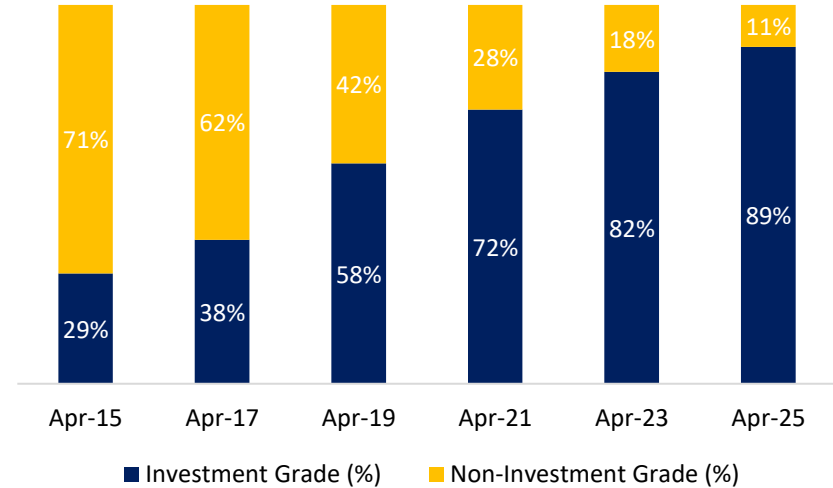


Exhibit: Investment Grade versus Non-Investment Grade ratings in ICRA's rated universe



- The median rating stood at [ICRA]A- as of April 2025, compared with [ICRA]BB- as of April 2015.
- Similar to ICRA's overall portfolio, the shift over the years is driven largely by the discontinuation of rating coverage on many lower rated entities because of such entities' lack of cooperation.

III

## Structured Finance (SF)\*

*\* Includes only structured finance ratings (i.e. only PTC transactions)*

Exhibit: Category-wise distribution of ICRA-assigned ratings

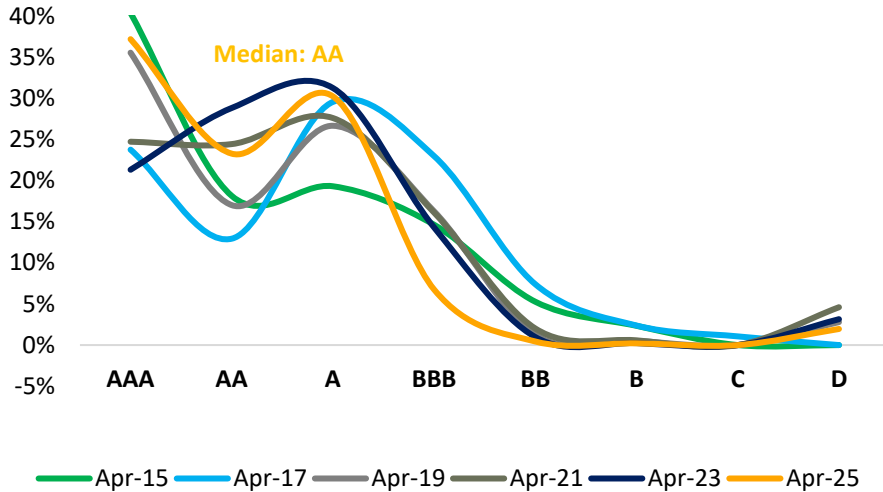
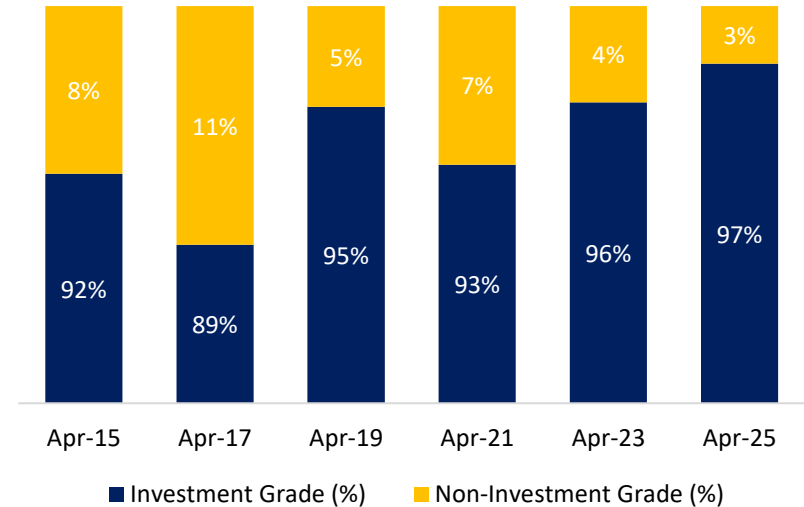


Exhibit: Investment Grade versus Non-Investment Grade ratings in ICRA's rated universe



- The median rating remained at [ICRA]AA as of April 2025 (similar to that as of April 2024), as compared to the median rating of [ICRA]A+ as of April 2021. The median has been range-bound between [ICRA]A+ and [ICRA]AA over the past decade.



## Rating Transition and Stability

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I

## All Ratings\*

*\*Excludes a default due to operational reasons, recognized in Feb 2025 in accordance with the SEBI regulations*

# Long Term (LT) Rating Transition and Stability – One Year

Exhibit: 5-Year\* Average

	AAA	AA	A	BBB	BB	B	C	D
AAA	99.4%	0.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
AA	3.5%	94.2%	2.3%	0.0%	0.0%	0.0%	0.0%	0.0%
A	0.4%	5.7%	90.5%	3.2%	0.1%	0.0%	0.0%	0.1%
BBB	0.0%	0.4%	8.0%	87.1%	3.8%	0.1%	0.0%	0.6%
BB	0.0%	0.3%	0.3%	6.1%	87.0%	3.0%	0.0%	3.4%
B	0.0%	0.0%	0.1%	0.1%	8.2%	81.5%	0.3%	9.7%
C	0.0%	3.8%	0.0%	1.9%	1.9%	20.7%	34.0%	37.8%
D	0.4%	0.8%	0.0%	0.3%	1.7%	7.3%	4.1%	85.5%

Exhibit: 10-Year\* Average

	AAA	AA	A	BBB	BB	B	C	D
AAA	98.4%	0.9%	0.0%	0.4%	0.1%	0.0%	0.0%	0.2%
AA	3.1%	94.3%	2.5%	0.1%	0.0%	0.0%	0.0%	0.1%
A	0.3%	6.1%	90.0%	3.2%	0.2%	0.1%	0.1%	0.2%
BBB	0.0%	0.3%	7.4%	87.0%	4.1%	0.2%	0.0%	1.1%
BB	0.0%	0.1%	0.1%	5.4%	87.0%	3.0%	0.1%	4.3%
B	0.0%	0.0%	0.0%	0.1%	5.7%	86.3%	0.5%	7.4%
C	0.0%	0.4%	0.0%	0.6%	1.0%	13.2%	54.0%	30.8%
D	0.1%	0.3%	0.1%	0.5%	1.6%	8.0%	3.6%	85.7%

- Longer-term trends indicate that the one-year stability metrics of ICRA-assigned ratings have demonstrated ordinality, implying that the higher rated entities have faced lower rating transition risks.

\*Based on monthly cohorts; 10 years corresponds to 120 cohorts and 5 years corresponds to 60 cohorts

# LT Rating Transition and Stability – One Year

Exhibit: Latest cohort (April 2024)

	AAA	AA	A	BBB	BB	B	C	D
AAA	99.6%	0.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
AA	4.2%	94.7%	1.1%	0.0%	0.0%	0.0%	0.0%	0.0%
A	0.5%	4.7%	92.2%	2.7%	0.0%	0.0%	0.0%	0.0%
BBB	0.0%	0.3%	8.4%	89.2%	2.0%	0.0%	0.0%	0.2%
BB	0.0%	0.0%	0.0%	7.5%	88.5%	3.5%	0.0%	0.6%
B	0.0%	0.0%	0.0%	0.0%	5.6%	86.1%	0.0%	8.3%
C	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	0.0%
D	0.0%	0.0%	0.0%	0.0%	6.7%	0.0%	0.0%	93.3%

Exhibit: Corresponding cohort for previous year (April 2023)

	AAA	AA	A	BBB	BB	B	C	D
AAA	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
AA	4.5%	94.6%	0.9%	0.0%	0.0%	0.0%	0.0%	0.0%
A	0.7%	6.1%	89.6%	3.5%	0.0%	0.0%	0.0%	0.0%
BBB	0.0%	0.6%	7.2%	88.4%	3.7%	0.0%	0.0%	0.2%
BB	0.0%	0.0%	0.5%	6.7%	90.7%	1.0%	0.0%	1.0%
B	0.0%	0.0%	0.0%	0.0%	10.0%	85.0%	0.0%	5.0%
C	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	0.0%
D	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	5.0%	95.0%

- The one-year rating stability in the [ICRA]A rating category improved for the cohort of April 2024 (on the back of lower proportion of upgrades and downgrades), compared to the cohort of April 2023. The rating stability in the other investment grade categories for the April 2024 cohort were largely similar to that seen for the April 2023 cohort.

# LT Rating Transition and Stability – Two Years

Exhibit: 5-Year Average

	AAA	AA	A	BBB	BB	B	C	D
AAA	97.0%	1.6%	0.0%	0.6%	0.3%	0.0%	0.0%	0.6%
AA	4.5%	89.9%	4.9%	0.3%	0.1%	0.0%	0.0%	0.3%
A	0.4%	9.1%	83.7%	6.0%	0.3%	0.0%	0.0%	0.4%
BBB	0.0%	0.6%	14.1%	76.7%	6.3%	0.3%	0.0%	2.1%
BB	0.1%	0.4%	0.6%	11.6%	71.8%	4.8%	0.0%	10.7%
B	0.0%	0.0%	0.2%	0.2%	14.5%	58.1%	0.4%	26.8%
C	3.0%	0.0%	1.5%	1.5%	0.0%	22.6%	10.2%	61.2%
D	2.1%	1.6%	0.4%	1.8%	2.4%	10.0%	3.5%	78.3%

Exhibit: 10-Year Average

	AAA	AA	A	BBB	BB	B	C	D
AAA	96.5%	2.0%	0.0%	0.8%	0.2%	0.0%	0.0%	0.6%
AA	4.6%	90.0%	4.8%	0.3%	0.1%	0.0%	0.0%	0.3%
A	0.3%	10.7%	82.1%	5.7%	0.5%	0.1%	0.1%	0.6%
BBB	0.0%	0.6%	13.4%	75.9%	6.6%	0.3%	0.1%	3.1%
BB	0.0%	0.1%	0.4%	10.9%	73.2%	5.2%	0.1%	10.2%
B	0.0%	0.0%	0.1%	0.2%	11.0%	69.2%	0.8%	18.6%
C	0.4%	0.0%	0.2%	0.3%	1.6%	18.6%	24.0%	54.9%
D	0.5%	0.7%	0.6%	2.1%	4.7%	14.3%	5.4%	71.7%

- The two-year rating stability has remained range-bound across the investment grade rating categories over the past 10 years, with the rating stability across investment-grade rating categories being largely similar during the past five years as compared to the past 10 years.

# LT Rating Transition and Stability – Two Years

Exhibit: Latest cohort (April 2023)

	AAA	AA	A	BBB	BB	B	C	D
AAA	99.4%	0.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
AA	6.1%	92.0%	2.0%	0.0%	0.0%	0.0%	0.0%	0.0%
A	0.1%	8.7%	86.4%	4.7%	0.0%	0.0%	0.0%	0.0%
BBB	0.0%	0.2%	12.8%	82.6%	4.0%	0.0%	0.0%	0.4%
BB	0.0%	0.0%	1.4%	14.6%	78.5%	2.1%	0.0%	3.5%
B	0.0%	0.0%	0.0%	0.0%	18.6%	67.4%	0.0%	14.0%
C	-	-	-	-	-	-	-	-
D	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	7.7%	92.3%

Exhibit: Corresponding cohort for previous year (April 2022)

	AAA	AA	A	BBB	BB	B	C	D
AAA	99.3%	0.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
AA	6.8%	92.1%	1.1%	0.0%	0.0%	0.0%	0.0%	0.0%
A	0.2%	12.0%	82.1%	5.6%	0.2%	0.0%	0.0%	0.0%
BBB	0.0%	0.7%	18.6%	73.9%	5.8%	0.2%	0.0%	0.7%
BB	0.0%	0.0%	0.7%	12.0%	78.7%	3.3%	0.0%	5.3%
B	0.0%	0.0%	0.0%	0.0%	9.8%	60.8%	0.0%	29.4%
C	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	33.3%	66.7%
D	0.0%	0.0%	0.0%	0.0%	5.3%	5.3%	5.3%	84.2%

- In the [ICRA]A rating category, the two-year rating stability has improved for the April 2023 cohort, on the back of relatively lesser proportion of upgrades when compared to the April 2022 cohort. This was on account of the rebound in the credit quality of India Inc. post the adverse impact of the pandemic in FY2021, influencing higher upgrades in the April 2022 cohort. Similar trend is also witnessed for the [ICRA]BBB rating category, where the two-year rating stability has improved when compared to the April 2022 cohort, with the relatively lesser proportion of upgrades.

# LT Rating Transition and Stability – Three Years

Exhibit: 5-Year Average

	AAA	AA	A	BBB	BB	B	C	D
AAA	94.2%	2.7%	0.0%	1.3%	0.5%	0.0%	0.0%	1.3%
AA	4.8%	86.6%	7.3%	0.5%	0.2%	0.0%	0.0%	0.7%
A	0.6%	12.9%	77.3%	7.4%	0.7%	0.1%	0.0%	1.0%
BBB	0.1%	0.8%	18.5%	68.3%	7.5%	0.4%	0.0%	4.5%
BB	0.3%	0.3%	0.5%	15.3%	56.6%	5.3%	0.0%	21.6%
B	0.0%	0.1%	0.0%	0.4%	14.7%	36.4%	0.4%	48.1%
C	1.9%	0.9%	0.0%	0.9%	0.0%	17.7%	2.4%	76.2%
D	4.0%	0.7%	0.7%	4.1%	4.4%	11.0%	1.6%	73.5%

Exhibit: 10-Year Average

	AAA	AA	A	BBB	BB	B	C	D
AAA	94.6%	3.0%	0.0%	1.0%	0.3%	0.0%	0.0%	1.0%
AA	5.4%	86.4%	7.0%	0.6%	0.2%	0.0%	0.0%	0.5%
A	0.5%	15.0%	74.9%	7.4%	0.8%	0.2%	0.1%	1.3%
BBB	0.0%	1.1%	18.3%	66.4%	7.7%	0.5%	0.1%	5.9%
BB	0.1%	0.2%	0.6%	14.9%	60.2%	5.9%	0.1%	18.1%
B	0.0%	0.1%	0.2%	0.6%	13.4%	52.7%	0.7%	32.4%
C	0.4%	0.2%	0.0%	0.3%	1.7%	17.7%	10.5%	69.1%
D	1.2%	0.7%	1.3%	3.7%	8.0%	17.9%	4.7%	62.5%

- For the higher investment grade rating categories, the three-year rating stability has remained largely range-bound. The rating stability improved for the [ICRA]A and the [ICRA]BBB rating categories during the past five years as compared to the past 10 years, driven primarily by the lower proportion of rating upgrades and downgrades respectively.

# LT Rating Transition and Stability – Three Years

Exhibit: Latest cohort (April 2022)

	AAA	AA	A	BBB	BB	B	C	D
AAA	98.5%	1.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
AA	7.4%	90.3%	2.4%	0.0%	0.0%	0.0%	0.0%	0.0%
A	0.7%	14.6%	78.5%	6.1%	0.2%	0.0%	0.0%	0.0%
BBB	0.0%	0.2%	23.5%	69.8%	5.0%	0.0%	0.0%	1.5%
BB	0.0%	0.0%	0.0%	19.2%	70.0%	3.3%	0.0%	7.5%
B	0.0%	0.0%	0.0%	2.5%	10.0%	47.5%	0.0%	40.0%
C	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%
D	0.0%	0.0%	0.0%	7.1%	0.0%	7.1%	7.1%	78.6%

Exhibit: Corresponding cohort for previous year (April 2021)

	AAA	AA	A	BBB	BB	B	C	D
AAA	98.4%	1.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
AA	6.8%	91.2%	2.0%	0.0%	0.0%	0.0%	0.0%	0.0%
A	0.8%	18.7%	75.1%	5.1%	0.2%	0.0%	0.0%	0.2%
BBB	0.0%	0.2%	28.1%	64.4%	5.4%	0.6%	0.0%	1.4%
BB	1.1%	0.0%	0.0%	20.7%	55.9%	4.5%	0.0%	17.9%
B	0.0%	0.0%	0.0%	1.9%	11.3%	39.6%	0.0%	47.2%
C	0.0%	0.0%	0.0%	0.0%	0.0%	33.3%	0.0%	66.7%
D	13.0%	4.4%	0.0%	0.0%	8.7%	4.4%	4.4%	65.2%

- The three-year rating stability for the higher investment grade rating categories in the cohort of April 2022 has remained largely similar to the levels seen in the April 2021 cohort. However, the three-year stability in the [ICRA]A and [ICRA]BBB rating categories have witnessed improvement in the cohort of April 2022 when compared to the levels seen in the April 2021 cohort, with the relatively lesser proportion of upgrades. Post the adverse impact of the pandemic in FY2021, FY2022 and FY2023 witnessed a relatively higher proportion of rating upgrades which moderated from FY2024 onwards.

# LT Rating Transition and Stability – Four Years

Exhibit: 5-Year Average

	AAA	AA	A	BBB	BB	B	C	D
AAA	91.9%	3.7%	0.0%	1.7%	0.4%	0.0%	0.0%	2.2%
AA	5.7%	83.0%	9.1%	0.7%	0.4%	0.0%	0.0%	1.2%
A	0.7%	16.7%	71.3%	8.4%	0.9%	0.1%	0.0%	2.0%
BBB	0.2%	0.8%	21.7%	61.1%	8.0%	0.5%	0.0%	7.7%
BB	0.3%	0.1%	0.7%	17.3%	43.6%	5.1%	0.1%	32.8%
B	0.0%	0.2%	0.0%	0.9%	12.7%	22.8%	0.1%	63.4%
C	0.0%	0.0%	0.0%	0.7%	0.0%	13.5%	1.0%	84.8%
D	3.7%	1.3%	1.4%	6.2%	5.5%	13.5%	0.5%	67.9%

Exhibit: 10-Year Average

	AAA	AA	A	BBB	BB	B	C	D
AAA	92.5%	4.3%	0.0%	1.3%	0.3%	0.0%	0.0%	1.6%
AA	6.6%	82.5%	8.7%	0.9%	0.3%	0.1%	0.0%	0.9%
A	0.5%	18.7%	68.2%	8.9%	1.1%	0.2%	0.1%	2.3%
BBB	0.1%	1.7%	21.6%	58.0%	8.2%	0.6%	0.1%	9.7%
BB	0.1%	0.2%	1.0%	17.0%	47.9%	5.9%	0.1%	27.8%
B	0.0%	0.1%	0.2%	1.0%	13.3%	36.9%	0.5%	48.0%
C	0.0%	0.0%	0.0%	0.2%	1.9%	11.8%	4.2%	81.9%
D	1.2%	1.4%	2.2%	5.3%	9.5%	22.0%	3.0%	55.4%

- The four-year rating stability has remained largely range-bound for the higher investment grade rating categories. For the [ICRA]A and [ICRA]BBB rating categories, the stability has improved during the past five years as compared to the past 10 years, driven by lower proportion of both rating upgrades and rating downgrades.

# LT Rating Transition and Stability – Four Years

Exhibit: Latest cohort (April 2021)

	AAA	AA	A	BBB	BB	B	C	D
AAA	97.4%	2.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
AA	8.1%	89.7%	2.2%	0.0%	0.0%	0.0%	0.0%	0.0%
A	0.8%	21.6%	71.3%	5.7%	0.4%	0.0%	0.0%	0.2%
BBB	0.0%	0.2%	33.0%	59.3%	5.1%	0.2%	0.0%	2.2%
BB	1.4%	0.0%	0.0%	25.3%	47.3%	2.7%	0.0%	23.3%
B	0.0%	0.0%	0.0%	2.1%	10.4%	35.4%	0.0%	52.1%
C	0.0%	0.0%	0.0%	0.0%	0.0%	16.7%	0.0%	83.3%
D	16.7%	5.6%	0.0%	11.1%	0.0%	0.0%	5.6%	61.1%

Exhibit: Corresponding cohort for previous year (April 2020)

	AAA	AA	A	BBB	BB	B	C	D
AAA	99.1%	1.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
AA	6.9%	86.9%	5.8%	0.4%	0.0%	0.0%	0.0%	0.0%
A	1.1%	20.6%	69.9%	7.6%	0.2%	0.0%	0.0%	0.6%
BBB	0.0%	0.2%	29.6%	60.3%	7.1%	0.4%	0.0%	2.3%
BB	1.1%	0.6%	1.1%	19.8%	45.6%	4.4%	0.0%	27.5%
B	0.0%	0.0%	0.0%	1.5%	13.4%	25.4%	0.0%	59.7%
C	0.0%	0.0%	0.0%	0.0%	0.0%	16.7%	0.0%	83.3%
D	13.6%	4.6%	0.0%	0.0%	4.6%	13.6%	0.0%	63.6%

- The four-year rating stability has remained largely range-bound across the investment grade rating categories. The four-year stability for the [ICRA]AAA rating category in the April 2021 cohort is lower on account of the downgrade of a subsidiary of a global IT firm due to the weakening of the parent's credit profile, and downgrade of a financial service sector entity due to change in the parentage. The four-year rating stability for the [ICRA]AA, [ICRA]A and [ICRA]BBB rating categories have improved for the cohort of April 2021 (compared to April 2020), driven primarily by the lower proportion of rating downgrades.

# LT Rating Transition and Stability – Five Years

Exhibit: 5-Year Average

	AAA	AA	A	BBB	BB	B	C	D
AAA	89.5%	4.7%	0.1%	2.0%	0.4%	0.0%	0.0%	3.3%
AA	7.0%	79.4%	10.1%	1.0%	0.6%	0.1%	0.0%	1.9%
A	0.5%	20.8%	65.0%	9.3%	1.2%	0.2%	0.0%	2.9%
BBB	0.3%	1.0%	23.9%	54.4%	7.7%	0.6%	0.0%	12.1%
BB	0.1%	0.1%	1.2%	17.8%	34.4%	4.6%	0.2%	41.6%
B	0.0%	0.2%	0.0%	1.3%	10.2%	15.4%	0.0%	72.9%
C	0.0%	0.0%	0.0%	0.0%	0.9%	8.3%	0.4%	90.4%
D	1.4%	2.2%	3.1%	6.0%	7.3%	15.8%	0.3%	63.8%

Exhibit: 10-Year Average

	AAA	AA	A	BBB	BB	B	C	D
AAA	90.8%	5.0%	0.0%	1.5%	0.3%	0.0%	0.0%	2.3%
AA	8.1%	78.7%	10.1%	1.3%	0.4%	0.1%	0.0%	1.4%
A	0.4%	22.6%	61.6%	10.1%	1.3%	0.2%	0.1%	3.7%
BBB	0.2%	2.2%	24.2%	50.3%	8.0%	0.7%	0.1%	14.3%
BB	0.1%	0.3%	1.5%	17.8%	37.0%	5.0%	0.2%	38.2%
B	0.0%	0.1%	0.2%	1.5%	11.4%	23.5%	0.3%	63.1%
C	0.0%	0.0%	0.0%	0.0%	1.7%	8.1%	1.6%	88.6%
D	0.5%	2.4%	2.8%	7.0%	11.9%	23.6%	2.0%	49.8%

- The five-year rating stability metrics have remained ordinal and range-bound.

# LT Rating Transition and Stability – Five Years

Exhibit: Latest cohort (April 2020)

	AAA	AA	A	BBB	BB	B	C	D
AAA	98.0%	2.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
AA	8.5%	84.9%	6.2%	0.4%	0.0%	0.0%	0.0%	0.0%
A	0.9%	23.7%	67.1%	6.6%	0.9%	0.0%	0.0%	0.7%
BBB	0.0%	0.2%	34.0%	57.2%	5.3%	0.2%	0.0%	3.1%
BB	1.3%	1.3%	0.7%	22.6%	36.8%	3.2%	0.0%	34.2%
B	0.0%	0.0%	0.0%	0.0%	14.3%	20.6%	0.0%	65.1%
C	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%
D	15.8%	5.3%	0.0%	5.3%	5.3%	10.5%	0.0%	57.9%

Exhibit: Corresponding cohort for previous year (April 2019)

	AAA	AA	A	BBB	BB	B	C	D
AAA	88.3%	2.7%	1.8%	3.6%	0.0%	0.0%	0.0%	3.6%
AA	5.8%	82.9%	8.2%	1.6%	0.0%	0.0%	0.0%	1.6%
A	0.9%	21.9%	66.4%	8.5%	0.9%	0.0%	0.0%	1.4%
BBB	0.0%	0.5%	27.4%	52.9%	8.4%	0.5%	0.0%	10.4%
BB	0.0%	0.0%	0.6%	19.5%	33.9%	4.6%	0.0%	41.4%
B	0.0%	0.0%	0.0%	1.0%	8.7%	13.6%	0.0%	76.7%
C	0.0%	0.0%	0.0%	0.0%	0.0%	9.1%	0.0%	90.9%
D	0.0%	0.0%	0.0%	0.0%	0.0%	13.3%	0.0%	86.7%

- The five-year rating stability in the [ICRA]AAA rating category in the cohort of April 2019 was adversely affected because of (a) defaults seen in a few securitisation transactions originated by Dewan Housing Finance Corporation because of certain unanticipated legal impediments, (b) downgrade of a few entities in the financial sector to the [ICRA]AA rating category, and (c) and downgrade in the ratings of a few securitisation transactions originated by Reliance Home Finance Limited to the [ICRA]BBB rating category.
- Across investment grade rating categories, rating stability in the cohort of April 2020 has witnessed improvement when compared to the April 2019 cohort, driven primarily by lower proportion of rating downgrades.

# Short-term (ST) Rating Transition and Stability – One Year

Exhibit: 5-Year Average

	A1+	A1	A2	A3	A4	D
A1+	96.9%	2.5%	0.6%	0.0%	0.0%	0.0%
A1	8.2%	83.9%	7.5%	0.3%	0.1%	0.1%
A2	0.5%	5.5%	89.9%	3.5%	0.4%	0.2%
A3	0.1%	0.2%	8.4%	84.5%	6.3%	0.5%
A4	0.1%	0.0%	0.2%	4.7%	91.0%	4.0%
D	0.0%	0.0%	0.0%	0.0%	16.0%	84.0%

Exhibit: 10-Year Average

	A1+	A1	A2	A3	A4	D
A1+	96.8%	2.3%	0.5%	0.1%	0.2%	0.2%
A1	11.6%	80.1%	7.5%	0.4%	0.2%	0.2%
A2	0.7%	6.6%	87.3%	4.2%	0.7%	0.6%
A3	0.1%	0.2%	9.1%	83.2%	6.5%	1.0%
A4	0.0%	0.0%	0.1%	2.9%	91.9%	5.1%
D	0.2%	0.0%	0.3%	0.4%	16.7%	82.4%

- While the stability of the [ICRA]A1+ ratings has remained stable over the past five years as compared to that over the past 10 years, the stability of the other investment grade rating categories has improved with lesser proportion of rating upgrades.

# ST Rating Transition and Stability – One Year

Exhibit: Latest cohort (April 2024)

	A1+	A1	A2	A3	A4	D
A1+	98.5%	1.4%	0.2%	0.0%	0.0%	0.0%
A1	7.3%	86.0%	6.2%	0.5%	0.0%	0.0%
A2	0.3%	3.4%	94.2%	2.1%	0.0%	0.0%
A3	0.0%	0.0%	5.8%	90.4%	3.9%	0.0%
A4	0.0%	0.0%	0.0%	4.9%	94.3%	0.8%
D	0.0%	0.0%	0.0%	0.0%	33.3%	66.7%

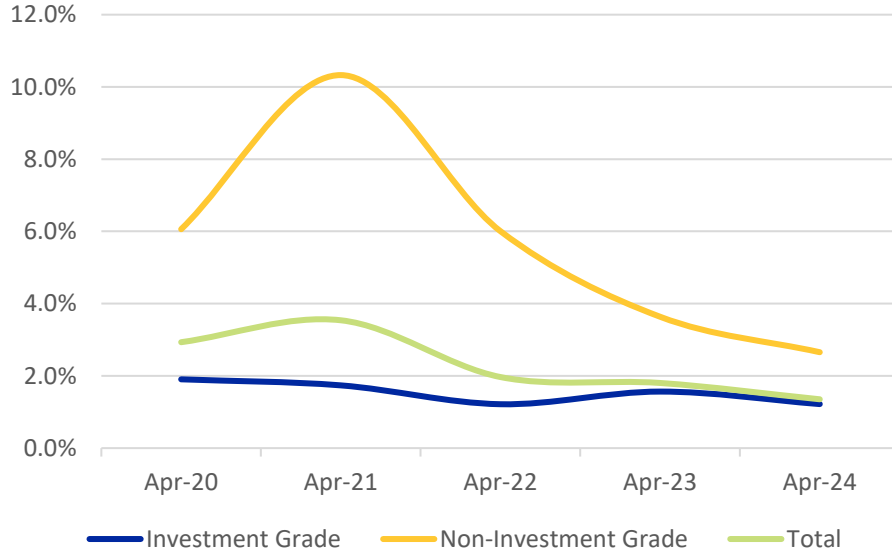
Exhibit: Corresponding cohort for previous year (April 2023)

	A1+	A1	A2	A3	A4	D
A1+	98.1%	1.7%	0.2%	0.0%	0.0%	0.0%
A1	10.1%	82.3%	7.6%	0.0%	0.0%	0.0%
A2	0.0%	6.6%	89.6%	3.8%	0.0%	0.0%
A3	0.0%	0.0%	9.7%	82.9%	7.0%	0.4%
A4	0.0%	0.0%	0.0%	5.4%	92.6%	2.0%
D	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%

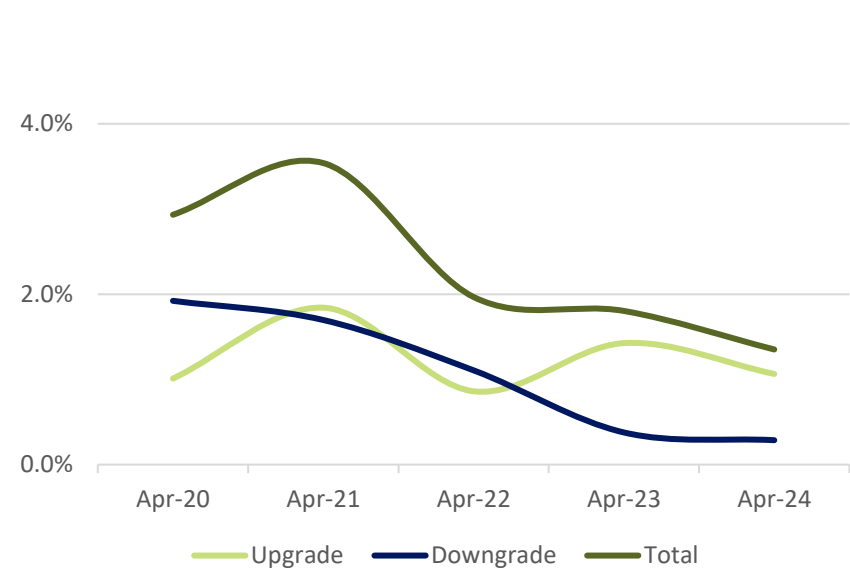
- The rating stability has improved across investment grade rating categories, supported by lower proportion of both rating upgrades and rating downgrades.

# Large Rating Change Rate (LRCR) – Long Term Ratings

**Exhibit: LRCR - Investment versus Non-Investment Grade**



**Exhibit: LRCR - Upgrades versus Downgrades**



The LRCR has reduced steadily in recent fiscals, because of a relatively lower proportion of rating movements especially in the non-investment grade and a substantial shift in ICRA’s portfolio composition towards investment grade ratings, that are, by nature, less prone to sharp rating movements. The LRCR reduced to 1.3% for the cohort of April 2024, as against 1.8% seen for the cohort of April 2023 and 2.0% for the cohort of April 2022. The proportion of multi-notch downgrades continued to reduce in the past year, with the steady improvement in the performance of corporates across sectors. The pace of multi-notch upgrades also reduced to 1.1% for the cohort of April 2024, highlighting reduction in severity of rating changes.

Rating Stability

All Ratings excluding SF\*

*\*Excludes a default due to operational reasons, recognized in Feb 2025 in accordance with the SEBI regulations*

# LT Rating Stability – All Ratings Excluding SF

Exhibit: 5-Year Average

	1-Year	2-Year	3-Year	4-Year	5-Year
AAA	99.1%	97.8%	96.3%	95.0%	93.3%
AA	95.4%	91.0%	87.2%	83.3%	79.6%
A	91.7%	84.0%	77.6%	71.7%	65.5%
BBB	88.0%	77.3%	68.5%	61.3%	54.7%
BB	87.4%	72.3%	57.2%	44.0%	34.6%
B	81.8%	58.3%	36.6%	22.9%	15.5%
C	37.1%	11.2%	2.7%	1.0%	0.4%
D	82.8%	74.8%	68.9%	61.5%	55.9%

Exhibit: 10-Year Average

	1-Year	2-Year	3-Year	4-Year	5-Year
AAA	98.4%	97.0%	95.6%	93.9%	92.7%
AA	95.3%	90.8%	86.7%	82.6%	78.8%
A	91.1%	82.7%	75.4%	68.8%	62.1%
BBB	87.7%	76.5%	66.9%	58.3%	50.6%
BB	87.3%	73.5%	60.4%	48.0%	37.1%
B	86.4%	69.3%	52.8%	37.0%	23.5%
C	55.3%	24.6%	10.8%	4.3%	1.7%
D	85.2%	70.4%	60.3%	52.5%	46.3%

- The rating stability has remained ordinal across the various periods of analysis, with the stability generally improving over the past five years as compared to that over the past 10 years.

# LT Rating Stability – All Ratings Excluding SF

Exhibit: Latest Cohort

	1-Year	2-Year	3-Year	4-Year	5-Year
	April 2024	April 2023	April 2022	April 2021	April 2020
AAA	99.4%	99.2%	98.2%	97.0%	97.7%
AA	97.6%	95.6%	94.3%	92.5%	87.4%
A	93.5%	86.7%	78.4%	71.3%	67.1%
BBB	90.7%	84.3%	70.9%	60.0%	57.8%
BB	88.4%	79.6%	70.6%	47.9%	37.3%
B	86.1%	69.1%	47.5%	37.0%	20.6%
C	100.0%	-	0.0%	0.0%	0.0%
D	83.3%	75.0%	40.0%	40.0%	33.3%

Exhibit: Previous Cohort

	1-Year	2-Year	3-Year	4-Year	5-Year
	April 2023	April 2022	April 2021	April 2020	April 2019
AAA	100.0%	99.2%	98.1%	98.9%	96.6%
AA	97.3%	95.8%	92.7%	88.6%	84.9%
A	90.9%	82.1%	75.1%	70.0%	66.4%
BBB	90.1%	74.9%	64.2%	60.0%	53.1%
BB	92.1%	79.6%	56.5%	46.1%	33.9%
B	86.4%	60.8%	41.2%	25.4%	13.6%
C	100.0%	33.3%	0.0%	0.0%	0.0%
D	90.9%	70.0%	60.0%	55.6%	66.7%

Note: The notation “-” indicates that either there were no ratings in the given rating category for the particular cohort, or all ratings in the given rating category for the particular cohort were withdrawn or moved to the “Issuer not cooperating” category at the end of the period under consideration.

Rating Stability

SF

**Exhibit: 5-Year Average**

	1-Year	2-Year	3-Year	4-Year	5-Year
AAA	99.8%	95.0%	87.6%	82.0%	77.5%
AA	85.3%	77.6%	77.6%	77.0%	72.7%
A	69.7%	63.4%	35.7%	0.0%	0.0%
BBB	72.6%	62.1%	56.9%	47.7%	28.8%
BB	55.5%	14.8%	0.0%	0.0%	0.0%
B	8.6%	0.0%	0.0%	0.0%	0.0%
C	0.0%	0.0%	0.0%	0.0%	0.0%
D	92.2%	85.6%	83.4%	83.5%	91.9%

**Exhibit: 10-Year Average**

	1-Year	2-Year	3-Year	4-Year	5-Year
AAA	98.4%	95.4%	91.8%	88.4%	85.0%
AA	85.2%	78.4%	79.3%	80.2%	74.4%
A	68.9%	45.4%	21.2%	2.2%	0.0%
BBB	70.1%	54.0%	40.1%	30.9%	15.7%
BB	47.8%	12.2%	0.0%	0.0%	0.0%
B	31.3%	4.4%	0.0%	0.0%	0.0%
C	25.8%	0.0%	0.0%	0.0%	0.0%
D	93.3%	85.9%	83.4%	83.5%	91.9%

- The stability of the SF ratings is generally seen to be lower compared to the non-SF ratings, given the inherent attributes of SF ratings. It is for this reason, that the SF ratings are not assigned a rating outlook, unlike the non-SF ratings.

**Note:**

1. The SF ratings are withdrawn once the transactions mature, which is typically within 2-4 years post securitization for most of the transactions. Thus, the long tenor metrics may be distorted due to the declining base of the live ratings and may not be representative of the rating performance of a particular cohort.

**Exhibit: Latest cohort**

	1-Year	2-Year	3-Year	4-Year	5-Year
	April 2024	April 2023	April 2022	April 2021	April 2020
<b>AAA</b>	100.0%	100.0%	100.0%	100.0%	100.0%
<b>AA</b>	74.2%	44.8%	40.0%	50.0%	33.3%
<b>A</b>	77.8%	75.0%	100.0%	-	-
<b>BBB</b>	66.7%	51.9%	35.7%	38.5%	38.5%
<b>BB</b>	100.0%	0.0%	0.0%	0.0%	0.0%
<b>B</b>	-	0.0%	-	0.0%	-
<b>C</b>	-	-	-	-	-
<b>D</b>	100.0%	100.0%	100.0%	69.2%	69.2%

**Exhibit: Previous Cohort**

	1-Year	2-Year	3-Year	4-Year	5-Year
	April 2023	April 2022	April 2021	April 2020	April 2019
<b>AAA</b>	100.0%	100.0%	100.0%	100.0%	58.3%
<b>AA</b>	77.1%	57.1%	72.7%	53.9%	0.0%
<b>A</b>	64.1%	80.0%	66.7%	0.0%	-
<b>BBB</b>	63.4%	52.2%	71.4%	71.4%	0.0%
<b>BB</b>	25.0%	33.3%	0.0%	0.0%	-
<b>B</b>	0.0%	-	0.0%	-	-
<b>C</b>	-	-	-	-	-
<b>D</b>	100.0%	100.0%	69.2%	69.2%	100.0%

**Note:**

1. The SF ratings are withdrawn once the transactions mature, which is typically within 2-4 years post securitization for most of the transactions. Thus, the long tenor metrics may be distorted due to the declining base of the live ratings and may not be representative of the rating performance of a particular cohort.
2. The notation “-” for CDR-T indicates that either there were no ratings in the given rating category in the particular cohort for which the default rates have been computed, or all ratings in the given rating category in the particular cohort were either withdrawn or defaulted by period T-1.



## Default Rates

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Market	Value
Commodities Market	1,325,658
Equities Market	1,316,244
Fixed Income Market	5,458,257
Emerging Market	2,545,834
GOLD Market	2,545,834

- Forex Market
- Commodities Market
- Equities Market
- Fixed Income Market
- Emerging Market
- GOLD Market

I

## All Ratings\*

*\*Excludes a default due to operational reasons, recognized in Feb 2025 in accordance with the SEBI regulations*

# Cumulative Default Rate – All Ratings

Exhibit: Cumulative Default Rate – All Ratings

	Average for past 5 years					Average for past 10 years				
	CDR-1	CDR-2	CDR-3	CDR-4	CDR-5	CDR-1	CDR-2	CDR-3	CDR-4	CDR-5
AAA	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%	0.5%	1.0%	1.5%	2.1%
AA	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%	0.5%	0.8%	1.3%
A	0.1%	0.2%	0.3%	0.3%	0.3%	0.2%	0.6%	0.9%	1.4%	1.8%
BBB	0.6%	1.1%	1.5%	2.0%	2.7%	1.1%	2.7%	4.2%	5.5%	6.8%
BB	2.6%	5.1%	6.6%	8.2%	9.6%	3.7%	6.9%	9.4%	11.3%	12.7%
B	6.1%	10.1%	12.8%	15.5%	17.3%	6.1%	11.1%	14.9%	17.6%	19.8%
C	24.7%	34.1%	43.9%	47.8%	47.8%	25.5%	35.2%	40.7%	43.3%	45.4%

- The [ICRA]AAA default rates are non-zero over the last ten-year period because of the default by Infrastructure Leasing & Financial Services Limited (IL&FS) in FY2019; and defaults in FY2020 by four securitisation transactions originated by Dewan Housing Finance Corporation Limited (DHFL) because of certain unanticipated legal impediments.
- Default rates have otherwise generally exhibited ordinality as indicated by the long period historical averages.

# Cumulative Default Rate – All Ratings

## Exhibit: Cumulative Default Rate – All Ratings

	Latest Cohort					Previous Cohort				
	CDR-1	CDR-2	CDR-3	CDR-4	CDR-5	CDR-1	CDR-2	CDR-3	CDR-4	CDR-5
	April 2024	April 2023	April 2022	April 2021	April 2020	April 2023	April 2022	April 2021	April 2020	April 2019
AAA	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.9%
AA	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.9%
A	0.0%	0.0%	0.0%	0.2%	0.5%	0.0%	0.0%	0.2%	0.5%	1.0%
BBB	0.2%	0.3%	1.2%	1.5%	1.9%	0.1%	0.6%	0.9%	1.4%	5.7%
BB	0.5%	2.3%	3.2%	8.3%	11.4%	0.8%	2.8%	7.6%	10.4%	12.2%
B	5.5%	6.8%	12.8%	15.2%	15.0%	3.2%	11.9%	15.2%	14.5%	16.7%
C	0.0%	0.0%	40.0%	63.0%	56.2%	0.0%	40.0%	44.4%	56.2%	44.7%

- 1-Year default rates in the [ICRA]AAA, [ICRA]AA, and the [ICRA]A categories have been zero in the recent fiscals. The number of defaults in the [ICRA]BBB rating category has also been in low single digits in the recent fiscals.

II

## All Ratings Excluding SF\*

*\*Excludes a default due to operational reasons, recognized in Feb 2025 in accordance with the SEBI regulations*

# Cumulative Default Rate – All Ratings Excluding SF

Exhibit: Cumulative Default Rate – All Ratings excluding SF

	Average for past 5 years					Average for past 10 years				
	CDR-1	CDR-2	CDR-3	CDR-4	CDR-5	CDR-1	CDR-2	CDR-3	CDR-4	CDR-5
AAA	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%	0.3%	0.5%	0.6%
AA	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.3%	0.5%	0.9%	1.3%
A	0.1%	0.2%	0.3%	0.3%	0.3%	0.2%	0.5%	0.9%	1.3%	1.7%
BBB	0.6%	1.1%	1.5%	2.0%	2.8%	1.0%	2.6%	4.2%	5.5%	6.8%
BB	2.7%	5.1%	6.6%	8.2%	9.6%	3.6%	6.8%	9.3%	11.3%	12.7%
B	5.9%	9.8%	12.5%	15.3%	17.1%	6.0%	11.0%	14.8%	17.5%	19.7%
C	24.3%	34.3%	45.1%	48.9%	48.9%	24.9%	34.6%	40.2%	42.8%	45.0%

- Default rates have exhibited ordinality as indicated by the long period historical averages.

# Cumulative Default Rate – All Ratings Excluding SF

Exhibit: Cumulative Default Rate – All Ratings excluding SF

	Latest Cohort					Previous Cohort				
	CDR-1	CDR-2	CDR-3	CDR-4	CDR-5	CDR-1	CDR-2	CDR-3	CDR-4	CDR-5
	April 2024	April 2023	April 2022	April 2021	April 2020	April 2023	April 2022	April 2021	April 2020	April 2019
AAA	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
AA	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.0%
A	0.0%	0.0%	0.0%	0.2%	0.5%	0.0%	0.0%	0.2%	0.5%	1.0%
BBB	0.2%	0.3%	1.2%	1.5%	1.9%	0.2%	0.6%	1.0%	1.5%	5.7%
BB	0.5%	2.3%	2.9%	8.4%	11.4%	0.8%	2.4%	7.6%	10.5%	12.3%
B	5.5%	5.8%	12.8%	14.2%	15.0%	2.2%	11.9%	14.2%	14.5%	16.7%
C	0.0%	0.0%	40.0%	63.0%	56.2%	0.0%	40.0%	44.4%	56.2%	44.7%

III

SF

## Exhibit: Cumulative Default Rate - SF

	Average for past 5 years					Average for past 10 years				
	CDR-1	CDR-2	CDR-3	CDR-4	CDR-5	CDR-1	CDR-2	CDR-3	CDR-4	CDR-5
AAA	0.1%	0.1%	0.1%	0.1%	0.1%	0.3%	1.3%	2.5%	4.1%	6.2%
AA	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
A	0.0%	0.9%	0.9%	0.9%	0.9%	0.5%	4.9%	4.9%	4.9%	4.9%
BBB	1.0%	1.3%	1.3%	1.3%	1.3%	1.4%	4.4%	5.0%	5.0%	5.0%
BB	1.7%	4.0%	8.3%	8.3%	8.3%	10.4%	16.1%	18.2%	18.2%	18.2%
B	74.3%	100.0%	-	-	-	36.4%	59.3%	59.3%	-	-
C	32.3%	32.3%	32.3%	-	-	41.5%	52.8%	52.8%	-	-

- The non-zero default rate in the [ICRA]AAA rating category was because of default on a few securitisation transactions originated by DHFL which were triggered by unanticipated legal impediments and operational challenges in accessing the cash collateral due to which the pay-outs could not be made despite healthy pool collections. The ratings of these transactions were upgraded to [ICRA]AA+ and [ICRA]AAA categories in January 2022 following the takeover of DHFL by the Piramal Group and continued healthy pool performance.

Note: The notation “-” for CDR-T indicates that either there were no ratings in the given rating category for all the cohorts over which the default rates have been computed, or all ratings in the given rating category in all the cohorts were either withdrawn or defaulted by period T-1.

# Cumulative Default Rate – SF

## Exhibit: Cumulative Default Rate - SF

	Latest Cohort					Previous Cohort				
	CDR-1	CDR-2	CDR-3	CDR-4	CDR-5	CDR-1	CDR-2	CDR-3	CDR-4	CDR-5
	April 2024	April 2023	April 2022	April 2021	April 2020	April 2023	April 2022	April 2021	April 2020	April 2019
<b>AAA</b>	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	4.4%
<b>AA</b>	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>A</b>	0.0%	0.0%	0.0%	-	-	0.0%	0.0%	0.0%	0.0%	-
<b>BBB</b>	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-
<b>BB</b>	0.0%	0.0%	-	0.0%	0.0%	0.0%	33.3%	0.0%	0.0%	-
<b>B</b>	-	-	-	-	-	100.0%	-	-	-	-
<b>C</b>	-	-	-	-	-	-	-	-	-	-

**Note:**

1. The SF ratings are withdrawn once the transactions mature, which is typically within 2-4 years post securitization for most of the transactions. Thus, the long tenor metrics may be distorted due to the declining base of the live ratings and may not be representative of the rating performance of a particular cohort.
2. The notation “-” for CDR-T indicates that either there were no ratings in the given rating category in the particular cohort for which the default rates have been computed, or all ratings in the given rating category in the particular cohort were either withdrawn or defaulted by period T-1.



## Rating Accuracy

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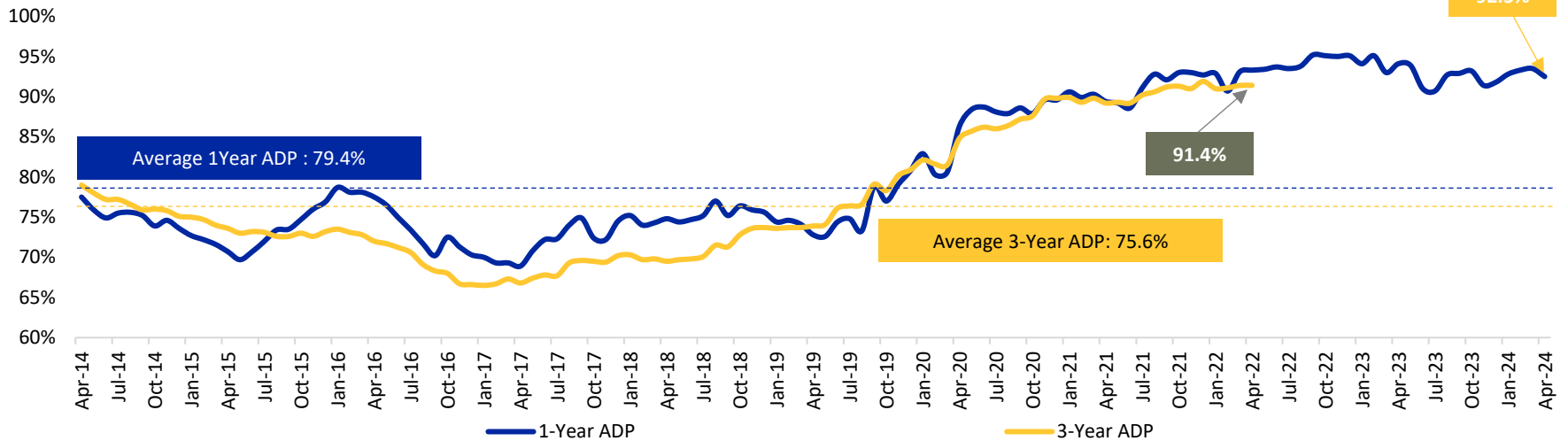
Rating Accuracy

All Ratings

*\*Excludes a default due to operational reasons, recognized in Feb 2025 in accordance with the SEBI regulations*

# Rating Accuracy | Average Default Position (ADP)

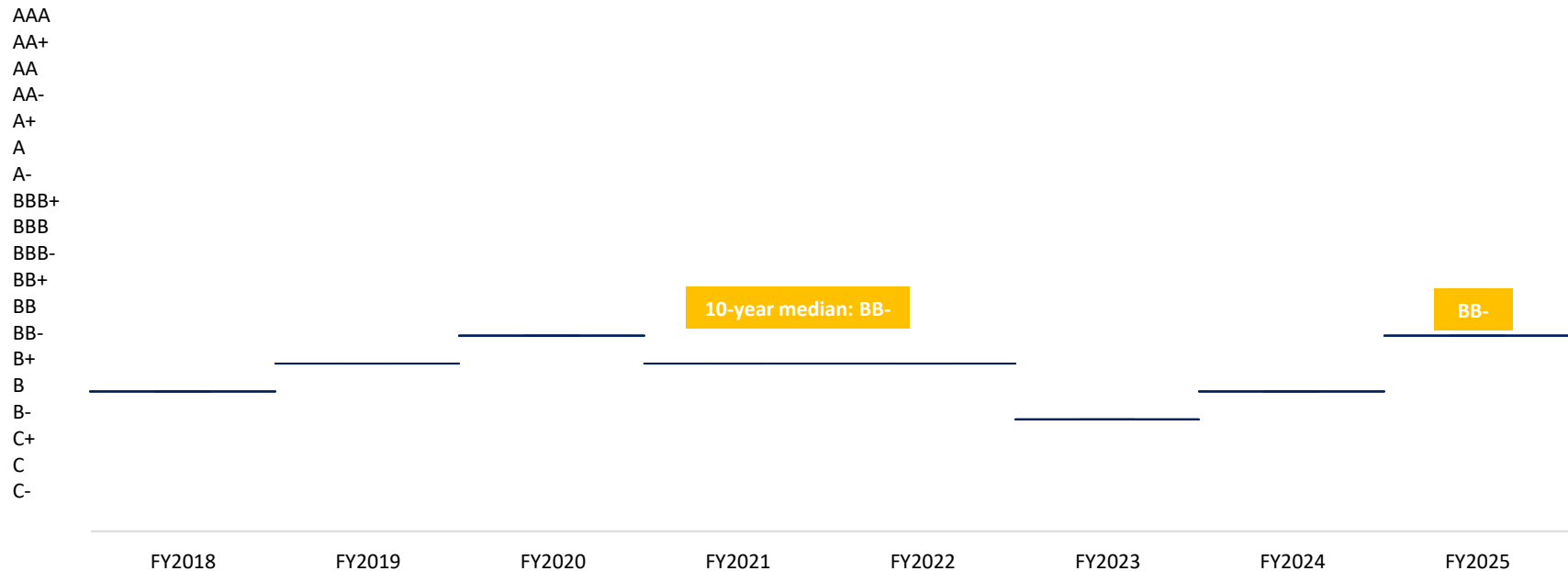
Exhibit: Trend in the ADP of ICRA-assigned Long-Term Ratings



- The sharp improvement in the one-year ADP since the cohort of April 2019 has been driven by the decline in the one-year default rate, specifically pertaining to investment-grade ratings, and an upward shift in the rating distribution towards investment grade ratings. The improvement in the three-year ADP since the cohort of October 2016 has been driven by a decline in the three-year default rate (both for investment-grade as well as non-investment grade ratings) as well as an upward shift in the rating distribution towards investment grade ratings.
- Number of defaults in the last two fiscals have reduced from the levels seen in FY2022 and FY2023, with 6 defaults seen in FY2025 and also FY2024 - against 23 defaults in FY2023 and 42 in FY2022. Moreover, defaults from the investment grade have remained low over the years, with only two investment grade defaults in FY2025, one in FY2024, three in FY2023 and five in FY2022. Investment grade defaults in these fiscals were all from the [ICRA]BBB category.

# Peak rating 12 months prior to default

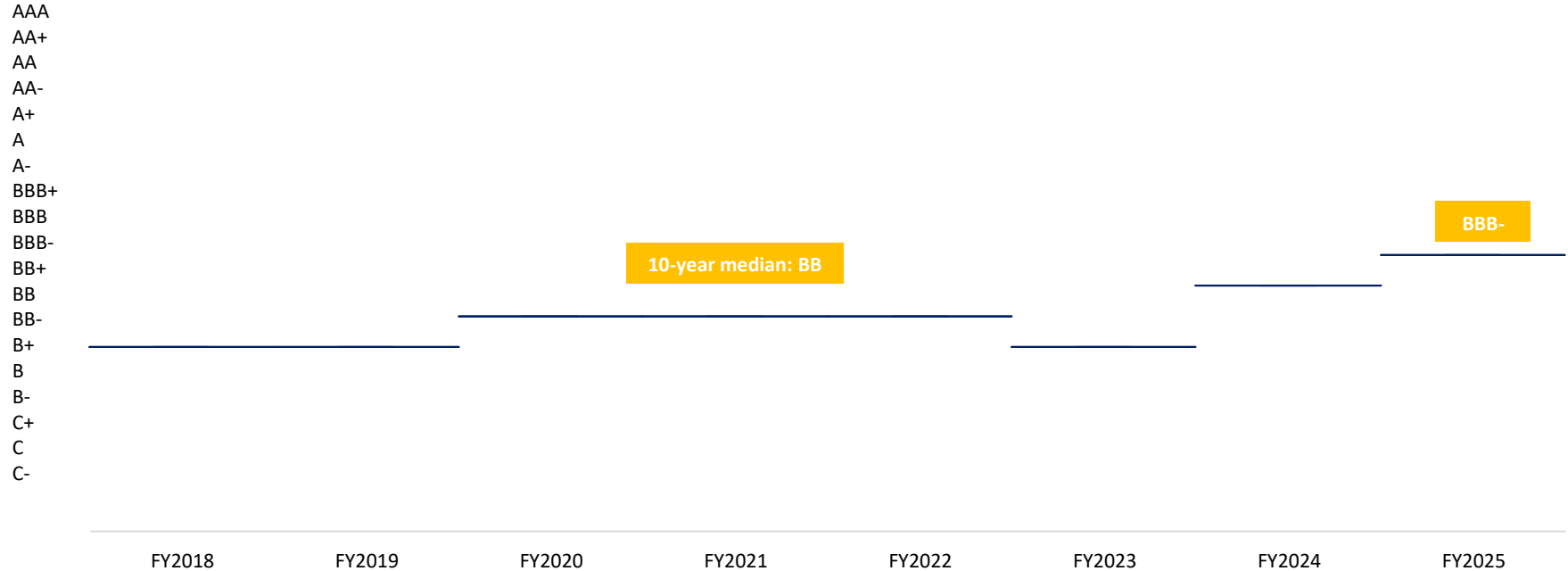
Exhibit : Median peak rating 12 months prior to default (Long-Term Ratings)



- The median peak rating of the entities which defaulted has remained in the low non-investment grade, 12 months prior to default. The median position was at [ICRA]BB- in FY2025 (was at [ICRA]B+ in FY2024), and has been range-bound between [ICRA]B and [ICRA]BB over the past decade

# Peak rating 36 months prior to default

Exhibit: Median peak rating 36 months prior to default (Long-Term Ratings)



- Over the last decade, the median ratings of the entities which defaulted were in the non-investment grade 36 months prior to default. For the six entities, which defaulted in FY2025, three had a rating 36 months prior to default and their median rating then was at [ICRA]BBB-.



## Annexure

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**1. Cohort:** Cohort is a list of ratings outstanding at the beginning of a month. The ratings in a cohort are evaluated for their performance over different time periods. The cohorts considered for analysis by ICRA exclude the ratings of entities which were either non-cooperative or which were withdrawn or suspended on the date of the cohort formation. For entities having multiple ratings with different seniority, a maximum of three ratings per entity has been considered for the non-structured finance ratings while a maximum of three ratings per rating category per entity has been considered for the structured finance ratings. The latter is in line with the approach specified in the SEBI circular (SEBI/HO/DDHS/DDHS-POD3/P/CIR/2024/47 dated May 16, 2024).

**2. Rating Transition:** For a given cohort, rating transition reflects the movement in ratings from one rating category to another over a given time period. The rating transition considered for analysis by ICRA are of ratings which remained co-operative and were not withdrawn/ suspended during the time period of analysis (however, the rating downgrade of entities which became non-cooperative and also defaulted, are included for computation).

**3. Rating Stability:** Proportion of ratings in a rating category in a given cohort that remained in the same rating category at the end of a given time period. A downgrade to Default and a subsequent upgrade within the given time period is considered as movement to the Default category in that time period.

**4. Large Rating Change Rate (LRCR):** Proportion of ratings in a given cohort which were downgraded or upgraded by three or more notches during one-year. The LRCR is calculated for ratings which remained co-operative and were not withdrawn during the time period of analysis (however, the rating downgrade of entities which became non-cooperative and also defaulted, are included for computation).

**5. Default:** ICRA defines default as a missed or delayed payment by an entity in breach of the agreed terms of the issue. ICRA has been using this definition of default consistently for all its default-related studies. For more information on ICRA's Default Recognition Policy, please refer to ICRA's website [www.icra.in](http://www.icra.in). It may be noted that if an entity defaults during a time period and the rating is either withdrawn, suspended or moved to the "Issuer Not Cooperating" (INC) category during the same period, the event is considered a case of default and not a rating withdrawal, suspension or a migration to the INC category.

**6. Cumulative Default Rate (CDR):** CDR for a time period 'T' is defined as the number of ratings in a particular rating category in a cohort which defaulted during the time period T as a proportion of the number of ratings in that rating category in the same cohort adjusted for rating withdrawals and suspensions during that time period.

**7. Marginal Default Rate (MDR):** For a time period 'T', MDR for the year 't' within the overall time period T, is defined as the number of ratings in a particular rating category in a cohort which did not default during the period until t, but defaulted in the year t as a proportion of the number of ratings in that rating category at the beginning of the year t, after excluding the defaulted, withdrawn or suspended ratings in the period prior to t, and after excluding the withdrawn and suspended ratings in the year 't' (See the next slide for illustration).

**Note:** The default rates presented in this document and those available on ICRA's website as part of the regulatory disclosures differ numerically because of a specific methodological difference in the manner the cohorts are formed. While all the entities, including non-cooperating, are included in the cohorts used for regulatory disclosures, the cohorts used for this document do not include the entities that were non-cooperating at the start of the month of the cohort. As the information about the non-cooperating entities is seldom available and that too often with delays, the rating action on such entities may not be timely. The approach of excluding non-cooperating entities, which provides a perspective on the performance of only the cooperating entities, results in a smaller denominator and thus the default statistics presented in this document appear relatively higher compared with those in the regulatory disclosures.

Likewise, there is a numerical difference between the rating transition rates presented in this document and those available on ICRA's website as part of the regulatory disclosures. This too is because of a computation methodology difference. While the transition rates presented in this document are computed based on the monthly cohort approach, those put out as regulatory disclosures are computed based on the annual cohort approach.

The three-year CDR is the number of defaults among the ratings in a given rating category which were outstanding as on April 1, 2022 and which completed three years of seasoning i.e. their ratings were neither withdrawn nor suspended during any of the three years - FY2023, FY2024 and FY2025.

### Step 1: Computation of MDRs for the April 1, 2022 cohort

We take the cohort of entities which had ratings in a given rating category as on April 1, 2022 (original cohort C)

*Defaults in year FY2023 out of C (D1)*

$$\text{MDR1} = \frac{\text{D1}}{\text{C} - \text{W1}}$$

MDR1: Marginal default rate for year 1

W1: Withdrawals<sup>^</sup> in FY2023 out of C

*Incremental defaults in FY2024 out of C (D2)*

$$\text{MDR2} = \frac{\text{D2}}{\text{C} - \text{W1} - \text{W2} - \text{D1}}$$

MDR2: Marginal default rate for year 2

D1: Defaults in FY2022

W2: Incremental withdrawals<sup>^</sup> in FY2024 out of C

<sup>^</sup>Includes rating suspensions

$$\text{MDR3} = \frac{\text{Incremental defaults in FY2025 out of C (D3)}}{(C - W1 - W2 - W3 - D1 - D2)}$$

*MDR3: Marginal default rate for year 3*

*D2: Incremental defaults in FY2024*

*W3 = Incremental withdrawals^ in FY2025 out of C*

## Step 2: Computation of CDRs

Cumulative Default Rate for the three-year period is calculated as under:

$$\text{CDR-3} = 1 - [(1 - \text{MDR1}) * (1 - \text{MDR2}) * (1 - \text{MDR3})]$$

**Weighted Average CDR** is calculated using the weighted average MDR1, MDR2 and MDR3 till the latest cohort. This means that for calculating the 10-year weighted average CDR-3, weighted average MDR1 is calculated for 10 years (120 cohorts with each cohort corresponding to each month during the past 10 years), MDR2 for 9 years and MDR3 for 8 years

The performance of an ordinal rating system is measured by analysing whether the entities that defaulted had lower ratings than the entities which did not default. The rating system aims to ensure that defaulters are near the bottom of the rating spectrum long before they default. The ADP is one means of assessing how well this is achieved. As an example, we illustrate how to measure the ADP for a cohort of ratings using the concept of “rating position” and “default proportion”.

**What is Rating Position?** A rating position of a rating category is defined as the percentage of ratings which have higher ratings. Thus, AAA rating have positions near 0%; while C or D ratings have positions near 100%. The rating position is used to determine where in the ratings system the ratings that defaulted were positioned.

**What is Default Proportion?** Let us say a total of 100 defaults happen during a year, of which two defaults pertain to the A category, five to the BBB category, 13 to the BB category, 50 to the B category and 30 to the C category. The Default Proportion is defined as the ratio of the number of defaults in a particular rating category in a time period to the total number of defaults in the given time period.

The Ratings Position, Default Proportion and ADP for a sample cohort is computed on the next slide for illustration.

## Annexure - III | Illustration – Computation of ADP

The Ratings Position, Default Proportion and ADP for a sample cohort is computed below for illustration.

	A	B	C	D	E
	No. of ratings outstanding	Ratings Position	No. of Defaults in 1-Year	1-Year Default Proportion	E=B*D
[ICRA]AAA	50	0.3%	0	0.0%	0.0%
[ICRA]AA	200	1.9%	0	0.0%	0.0%
[ICRA]A	400	5.6%	2	2.0%	0.1%
[ICRA]BBB	1200	15.5%	5	5.0%	0.8%
[ICRA]BB	3000	41.6%	13	13.0%	5.4%
[ICRA]B	3000	78.9%	50	50.0%	39.4%
[ICRA]C	200	98.8%	30	30.0%	29.6%
<b>Total</b>	<b>8,050</b>		<b>100</b>	<b>100.0%</b>	<b>75.4%</b>

↑

Total Number of Entities

↑

Total Number of Defaults

↑

Unadjusted ADP

$$ADP = \left\{ \begin{array}{l} \text{Unadjusted ADP} - 0.5 \\ \dots \dots \dots + 0.5 = 75.7\% \\ 1 - (\text{Number of Defaults adj. for withdrawal, suspension \& non-cooperation} / \text{Number of Entities}) \end{array} \right.$$



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