

ANNEXURE A: Average one-year, two-year and three-year cumulative default rates (based on weighted average) each for:

- I. Last 10-financial year's period (Long-run average default rates)
- II. 24, 36 and 48 most recent cohorts, respectively (Short-run average default rates)

ANNEXURE A.1. – Long-run average default rates for long term instruments¹

Period: April 2013 to March 2024

Rating Category	1-Year Default Rate	2-year Cumulative Default Rate	3-year Cumulative Default Rate
AAA	0.01%^	0.07%^	0.15%
AA	0.07%*	0.24%	0.43%
A	0.09%	0.44%	0.89%
BBB	0.50%	1.31%	2.18%
BB	2.25%	4.32%	6.11%
B	4.10%	7.52%	10.26%
C	14.51%	22.73%	28.43%

[^]On account of one default in fiscal 2020 that occurred due to an unexpected legal event

^{*}Since fiscal 2020, there have been three defaults. These were due to an unexpected legal event (fiscal 2020), Covid-19 pandemic (fiscal 2021) and an operational issue (fiscal 2024).

With respect to the operational issue in fiscal 2024, while the issuer serviced 97.6% of the amount due on time, a system glitch led to a one-day delay in the remaining 2.4% of the payment. If this operational issue related default were to be excluded, the 1-year, 2-year and 3-year default rates for the 'AA' category would stand at 0.05%, 0.19% and 0.35%, respectively.

ANNEXURE A.2. – Long-run average default rates for short term instruments¹

Period: April 2013 to March 2024

Rating Category	1-Year Default Rate
A1+	0.02%
A1	0.03%
A2	0.30%
A3	0.45%
A4	3.21%

ANNEXURE A.3. – Short-run average default rates for long term instruments¹

Rating Category	1-Year Default Rate	2-year Cumulative Default Rate	3-year Cumulative Default Rate
Period	<i>April 2021- March 2024 (24 cohorts)</i>	<i>April 2020- March 2024 (36 cohorts)</i>	<i>April 2019- March 2024 (48 cohorts)</i>
AAA	0.00%	0.00%	0.02%
AA	0.08%*	0.15%	0.34%
A	0.02%	0.12%	0.36%
BBB	0.13%	0.35%	0.83%
BB	1.31%	2.62%	4.08%
B	1.77%	3.58%	5.77%
C	8.07%	12.62%	17.54%

^{*}Since fiscal 2022, there was one default seen in fiscal 2024. This was due to an operational issue. While the issuer serviced 97.6% of the amount due on time, a system glitch led to a one-day delay in the remaining 2.4% of the payment. If this operational issue related default were to be excluded, the 1-year, 2-year and 3-year default rates for the 'AA' category would stand at 0.00%, 0.00% and 0.12%, respectively.

ANNEXURE A.4. – Short-run average default rates for short term instruments¹

Period: April 2021 to March 2024 (24 cohorts)

Rating Category	1-Year Default Rate
A1+	0.00%
A1	0.00%
A2	0.04%
A3	0.09%
A4	1.77%

¹Adjusted for ratings that have been withdrawn during the financial year and including ratings of non-cooperative issuers, in line with methodology prescribed by SEBI

Annexure A.5 - List of rated entities, where default on an unrated instrument recognized as default for default rate computation²

Sr. No.	Name of the rated entity
1	Eastern Mattresses Private Limited
2	Pintu Engineering Construction Private Limited

² This is in line with June 13, 2019 SEBI Circular Clause II read together with Para 9 of the Standard Operating Procedure for monitoring and recognition of default published by all credit rating agencies as required by SEBI.

ANNEXURE A.6. – Long-run average default rates for long term debt securities

	Table 1: Cumulative Default rates for dataset limited to credit ratings of listed debt securities³ (including non-cooperative issuers)			Table 2: Cumulative Default rates for dataset limited to credit ratings of listed debt securities³ (excluding non-cooperative issuers)		
Rating category	1-Year Default Rate	2-year Cumulative Default Rate	3-year Cumulative Default Rate	1-Year Default Rate	2-year Cumulative Default Rate	3-year Cumulative Default Rate
AAA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
AA	0.21%	0.59%	0.84%	0.21%	0.59%	0.84%
A	0.70%	2.21%	4.04%	0.70%	2.21%	4.04%
BBB	2.79%	4.27%	5.13%	2.89%	4.52%	5.56%
BB	11.35%	32.45%	51.87%	13.53%	38.73%	59.38%
B	27.27%	43.98%	52.72%	23.27%	33.78%	42.78%
C	57.14%	98.21%	100.00%	53.85%	100.00%	100.00%

ANNEXURE A.7. – Short-run average default rates for long term debt securities

	Table 3: Cumulative Default rates for dataset limited to credit ratings of listed debt securities³ (including non-cooperative issuers)			Table 4: Cumulative Default rates for dataset limited to credit ratings of listed debt securities³ (excluding non-cooperative issuers)		
Rating category	1-Year Default Rate	2-year Cumulative Default Rate	3-year Cumulative Default Rate	1-Year Default Rate	2-year Cumulative Default Rate	3-year Cumulative Default Rate
AAA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
AA	0.28%	0.55%	1.05%	0.28%	0.55%	1.05%
A	0.00%	0.27%	0.20%	0.00%	0.27%	0.20%
BBB	0.00%	0.47%	0.37%	0.00%	0.47%	0.37%
BB	8.24%	29.06%	50.99%	10.77%	33.77%	54.24%
B	14.00%	33.25%	61.84%	0.00%	1.69%	41.72%
C	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Notes to the disclosures:

1. Due to constraints on consistent availability of the data on listing of debt securities for the past 10 years, the computation of cumulative default rates limited to credit ratings of securities that are listed/ proposed to be listed has been done on a best-efforts basis. For obtaining data on listed debt securities, CRISIL Ratings has relied on listing data from depositories, exchanges, and third-party databases especially for the initial period, and data on listed ISINs maintained by CRISIL Ratings for the past few years.
2. Annexures A.1. and A.3. capture default rates for all instruments, while tables 1,2,3 and 4 above pertain to default rates for listed debt securities. In line with standard practice, the sample is updated with addition of recent cohorts and removal of earlier cohorts, besides addition of subordinated debt. As can be seen from the tables above, default rates computed on a data set limited to credit ratings on listed debt securities are higher than default rates computed on a data set that includes all instruments; this is because the former suffer from low sample sizes. The sample size of rated listed debt securities is only a fraction of the total rated universe as is clearly evident from the following table which captures the sample size of

³ Includes proposed to be listed debt securities

listed debt securities across rating categories as a proportion of the total rated universe. While listed debt securities are relatively more prevalent in higher rating categories such as AAA and AA, the sample size gets sharply and nearly secularly truncated at lower rating categories (going as low as ~1/1700th) as there are scarcely any issuances in India for securities rated in lower rating categories. Further, the few ratings for listed debt securities at lower categories are mostly ratings in transition to default. Even a rare default by an issuer from such low rating category leads to inflated default rates in these rating categories given the insignificant sample set of listed debt securities.

Approximate sample size of listed debt securities as a proportion of total rated universe for all instruments, for each rating category	
AAA	1/2
AA	1/3 rd
A	1/20 th
BBB	1/200 th
BB	1/500 th
B	1/1700 th
C	1/200 th

How to read the above table? In BBB category, the sample size of listed debt securities is ~1/200th of all instruments. Hence, while the long run 3-year default rate for the CRISIL Ratings' listed debt securities portfolio for BBB category is 5.13% (table 1), the overall long run 3-year default rate is only 2.18% (Annexure A.1.) **Clearly, computation of default rates solely based on listed debt securities (or any single instrument class) is not representative of the default behaviour of Indian corporates. Annexures A.1. and A.3. capture default rates for all instruments and better represents the quality of a credit rating agency's ratings.**