Disclosures on Probability of Default (PD) benchmarks

In accordance with the SEBI guidelines for Enhanced Disclosures by Credit Rating Agencies (CRAs) dated June 13, 2019 (Ref: SEBI/HO/MIRSD/P/2019/70), CRAs in consultation with SEBI has prepared standardized and uniform Probability of Default (PD) benchmarks for each rating category. These benchmarks are for one year, two year and three year Cumulative Default Rates (CDRs) both for short run and long run. The benchmarks have been prepared following the Marginal Default Rate (MDR) approach using monthly static pool for the last 10 year period. The long run benchmarks are computed based on a confidence interval of 95.0% over the weighted average default rates and making adjustments to achieve ordinality, as necessary. The short run benchmarks are similarly computed based on a confidence interval of 99.7% over the weighted average default rates and making adjustments to achieve ordinality, if required.

These benchmarks are being disclosed herewith in line with the aforesaid SEBI guidelines:

Rating Category	Long-Run Benchmarks		
	1-year	2-year	3-year
AAA	0%	0%	0% (1%)
AA	0%	0% (2%)	2.0%
A	0% (3%)	3.5%	5.4%
BBB	3.3%	6.0%	10.5%
BB	8.7%	14.4%	19.6%
B	17.2%	33.1%	45.3%
C	100.0%	100.0%	100.0%

Rating Category	Short-Run Benchmarks		
	1-year	2-year	3-year
AAA	0%	0%	0% (1%)
AA	0%	0% (2%)	2.4%
A	0% (3%)	4.3%	6.5%
BBB	3.9%	7.1%	12.1%
BB	10.5%	17.1%	23.2%
B	19.6%	35.3%	48.2%
C	100.0%	100.0%	100.0%

Please note that the figures in parentheses in the tables above represent the tolerance levels permitted by SEBI