

Annexure VII

Average Default Rates for the last 5-Financial Year Period (FY2015-2019)

A. Securities

Annexure VII A - Structured Instruments

Rating Category	Weighted by No. of Issuers in Static Pool		Weighted by Amount of debt in Static Pool	
	1-Year Default Rate	3-Year Cumulative Default Rate	1-Year Default Rate	3-Year Cumulative Default Rate
AAA	1.24%	0.00%	0.97%	0.00%
AA	0.74%	0.41%	2.41%	0.28%
A	0.00%	2.68%	0.00%	1.84%
BBB	1.50%	2.00%	8.05%	10.15%
BB	4.23%	12.90%	15.17%	7.77%
B	0.00%	0.00%	0.00%	0.00%
C	0.00%	0.00%	0.00%	0.00%

Annexure VII B - Non Structured Instruments

Rating Category	Weighted by No. of Issuers in Static Pool		Weighted by Amount of debt in Static Pool	
	1-Year Default Rate	3-Year Cumulative Default Rate	1-Year Default Rate	3-Year Cumulative Default Rate
AAA	0.76%	1.25%	0.64%	1.32%
AA	0.18%	0.64%	0.24%	0.87%
A	1.63%	6.45%	0.79%	6.85%
BBB	3.24%	11.76%	10.18%	25.35%
BB	8.57%	22.86%	19.78%	50.77%
B	17.65%	36.36%	32.21%	47.83%
C	23.81%	41.18%	16.83%	34.27%

B. Financial Instruments other than Securities

Annexure VII A - Structured Instruments

Rating Category	Weighted by No. of Issuers in Static Pool		Weighted by Amount of debt in Static Pool	
	1-Year Default Rate	3-Year Cumulative Default Rate	1-Year Default Rate	3-Year Cumulative Default Rate
AAA	0.00%	0.00%	0.00%	0.00%
AA	0.28%	0.00%	0.32%	0.00%
A	0.84%	2.33%	9.42%	28.66%
BBB	1.18%	4.08%	1.17%	24.28%
BB	8.09%	10.68%	20.82%	23.45%
B	35.29%	33.33%	69.55%	79.66%
C	0.00%	0.00%	0.00%	0.00%

Annexure VII B - Non Structured Instruments

Rating Category	Weighted by No. of Issuers in Static Pool		Weighted by Amount of debt in Static Pool	
	1-Year Default Rate	3-Year Cumulative Default Rate	1-Year Default Rate	3-Year Cumulative Default Rate
AAA	0.84%	0.00%	0.05%	0.00%
AA	0.12%	0.91%	1.27%	5.06%
A	0.51%	2.49%	1.24%	6.97%
BBB	1.80%	6.49%	7.56%	26.46%
BB	4.35%	10.52%	20.70%	42.66%
B	7.73%	13.89%	36.83%	58.53%
C	29.74%	42.11%	48.28%	73.34%

Limitations of Debt Weighted CDR:

The debt weighted CDR can be influenced by the size of the debt which has defaulted whereas traditionally, ratings are measured by issuer probability of default, irrespective of size of debt of the issuer. Further, higher rated entities typically have higher borrowing powers and rated debt volumes and even as issuer weighted default rates show an ordinal scale, the debt weighted CDRs may not show Ordinality. Further, the debt weighted CDRs may be overstated as the calculation is based on rated limits while the actual availments as well as defaulted amounts could be lower.