CHAPTER 7

CREDIT RATING AGENCIES

Credit rating agencies (CRAs) are critical intermediaries that bridge the information asymmetry between issuers and investors by simplifying complex credit profiles into standardized ratings. This ensures efficient capital allocation and accurate risk pricing across the credit spectrum. Given their systemic importance in shaping investment decisions, SEBI's policy initiatives during 2025-26 have focused on enhancing ease of doing business, refining rating methodologies and improving disclosure standards to foster greater transparency and standardization within the industry. This chapter outlines policy measures taken by SEBI to strengthen the credit rating ecosystem and market activity and trends observed in credit rating ecosystem during 2025-26.

7.1 POLICY DEVELOPMENTS

A. **Measures for Ease of Doing Business:** The regulatory framework for ESG Rating Providers (ERPs) is part of the SEBI (Credit Rating Agencies) Regulations, 1999. Accordingly, the following amendments were made to the SEBI (Credit Rating Agencies) Regulations, 1999 to facilitate the objective of ease of doing business for ERPs:

   i. ERPs operating on a subscriber-pays model were permitted to share rating reports with both the subscriber and the issuer simultaneously, rather than being required to share a draft in advance.

   ii. ERPs were permitted to rate products/ issuers under the guidelines of other financial regulators, provided the governing authority is explicitly disclosed on their website and all specific laws are adhered to.

   iii. Subscriber-pays ERPs were permitted to withdraw ratings if there are no active subscribers (unless part of a package like Nifty 50), while Issuer-pays ERPs can withdraw after three years or upon reaching 50 per cent of the security's tenure with the consent of bondholders.

B. **Credit Rating under other Financial Sector Regulators:** CRAs were permitted to undertake the ratings of financial instruments under the purview of other financial sector regulators. However, CRAs were required to clearly ring-fence SEBI-regulated activities from non-SEBI regulated activities. The conditions for segregation of non-SEBI activities were as follows:

   i. Separate email IDs and website sections for grievances and disclosures related to non-SEBI regulated instruments.

   ii. All rating reports and marketing materials were required to explicitly state the applicable regulator and clarify that SEBI's investor protection framework does not apply to those specific instruments.

   iii. To ensure that minimum net worth requirements prescribed by SEBI were strictly maintained; any additional capital requirements from other regulators has to be met independently.

C. **Rating of Municipal Bonds:** To address the need for a more comprehensive assessment of municipal bonds issued for infrastructure development, SEBI determined that Expected Loss (EL) ratings could better reflect the recovery prospects of these project-based instruments when used alongside standard probability of default ratings. In view of the same, CRAs were permitted to extend the EL based rating scale to municipal bonds, in addition to the existing standardised rating scale.

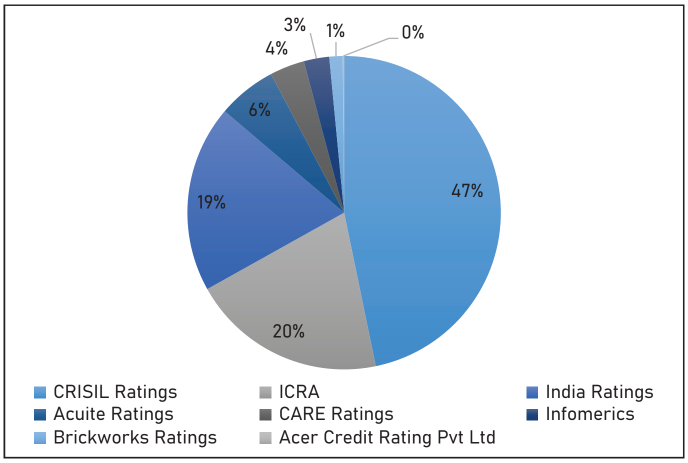
7.2 MARKET ACTIVITY AND TRENDS OBSERVED

As of March 31, 2026, eight CRAs were registered with SEBI, out of which, three (CARE Ratings Ltd., ICRA Ltd. and CRISIL Ratings Ltd.) are listed. During 2025-26, CRAs collectively assigned ratings to 725 new issuances, of which, CRISIL assigned 339 fresh ratings (46.8 per cent), followed by ICRA (20.1 per cent) and India Ratings (19.3 per cent) **(Chart 7.1)**.

As on March 31, 2026, the total number of outstanding ratings across all CRAs stood at 1,942. Of these, 88.4 per cent were rated above investment grade (BBB and above) – a marginal increase from 85.8 per cent as on March 31, 2025 **(Chart 7.2)**. The highest concentration of ratings was in the AA category.

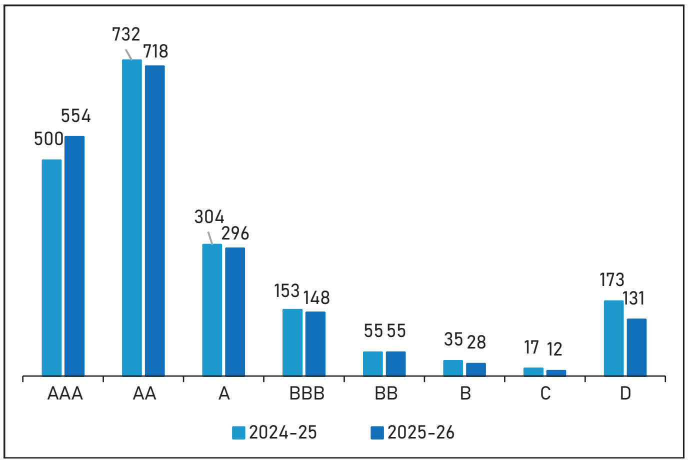
In terms of ratings transition, the total number of rating upgrades declined to 149 during 2025-26 as compared to 192 during 2024-25. This was primarily driven by a decline in upgrades within the investment/ non-investment grade, which dropped from 181 to 134 over the same period **(Chart 7.3)**. Some of the instances of rating transitions during 2025-26 – from investment to non-investment and

Chart 7.1: Proportion of Fresh Ratings



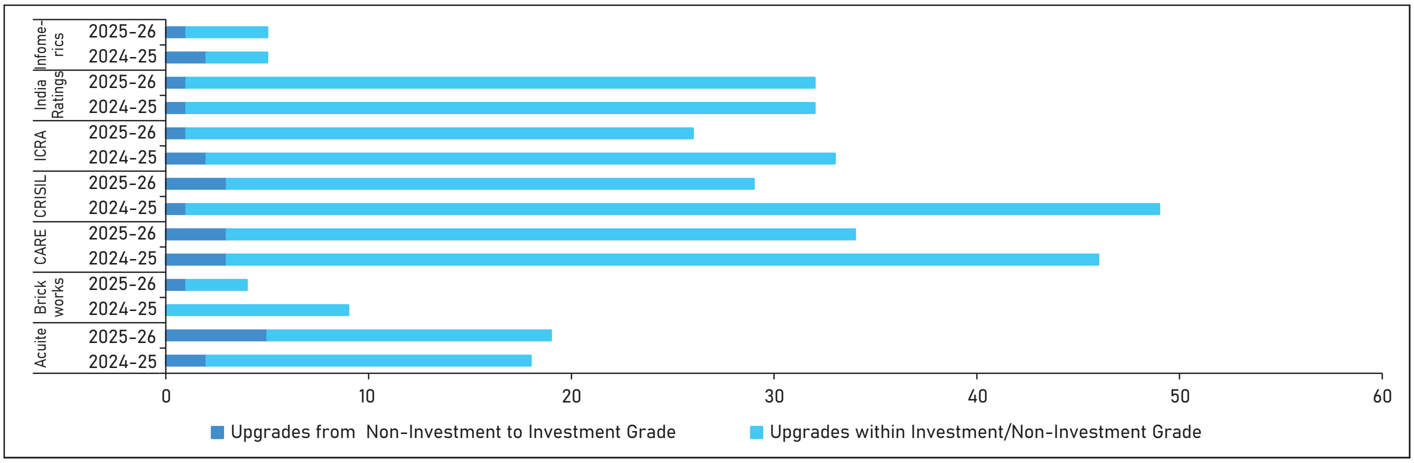
Note: The data on ratings is limited to listed securities or securities proposed to be listed.
Source: All CRAs

Chart 7.2: Outstanding Ratings Distribution



Note: Data revised for number of ratings for "B" for FY25
Source: All CRAs

Chart 7.3: Rating Upgrades

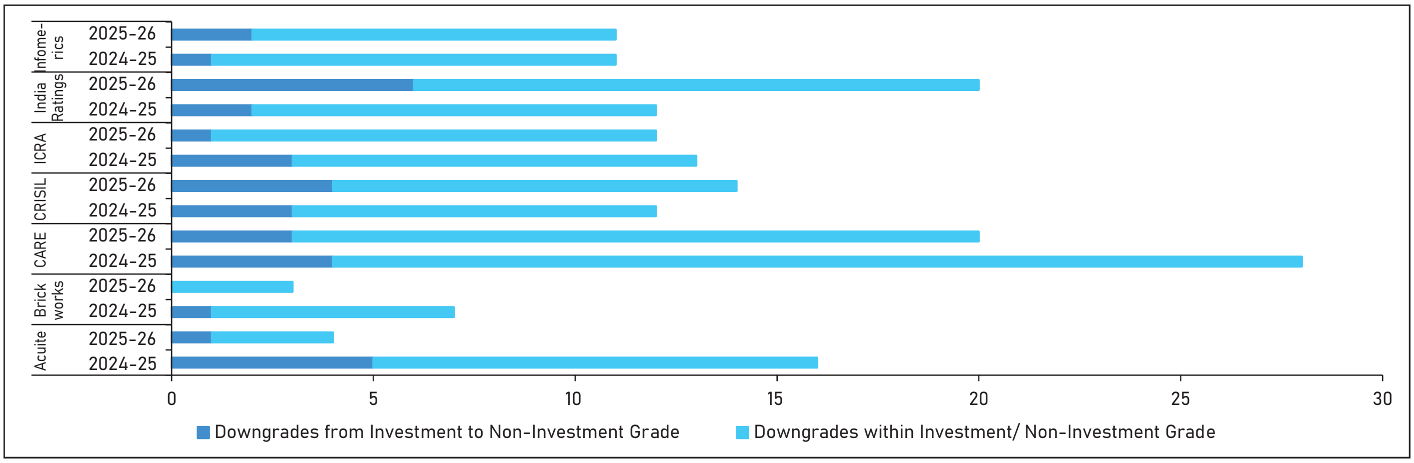


Source: All CRAs (excluding Acer Credit Rating Pvt Ltd as it got registered with SEBI on August 21, 2025).

back from non-investment to investment – happened on same day. These instances were not driven by credit deterioration, but by operational delays in transferring the required amount to escrow account on the due date as per the regulatory mandate.

During 2025-26, the total number of rating downgrades declined to 84 from 99 in the previous year **(Chart 7.4)**. Specifically, downgrades from investment to non-investment grade fell from 19 to 17 while downgrades within investment or non-investment categories declined from 80 to 67. Among the CRAs, CARE and India Ratings reported the highest number of downgrades (20), followed by CRISIL (14) and ICRA (12).

Chart 7.4: Rating Downgrades



Source: All CRAs (excluding Acer Credit Rating Pvt Ltd as it got registered with SEBI on August 21, 2025).

Table 7.1: Defaults Reported by CRAs

CRAs	Year	Total Defaults	Defaults from Non-investment Grade	Defaults from Investment Grade
Acuite	2024-25	5	2	3
	2025-26	-	-	-
Brickworks	2024-25	1	1	-
	2025-26	-	-	-
CARE	2024-25	4	2	2
	2025-26	3	3	-
CRISIL	2024-25	2	1	1
	2025-26	2	-	2
ICRA	2024-25	3	-	3
	2025-26	2	2	-
India Ratings	2024-25	3	1	2
	2025-26	2	1	1
Infomerics	2024-25	4	4	-
	2025-26	2	2	-
Total	**2024-25**	**22**	**11**	**11**
	2025-26	**11**	**8**	**3**

Source: All CRAs (excluding Acer Credit Rating Pvt Ltd as it got registered with SEBI on August 21, 2025).