

CRISIL Ratings criteria for fixed deposit programmes

March 2023

Criteria contacts

Somasekhar Vemuri

Senior Director and Head
Rating Criteria, Regulatory Affairs and Operations
somasekhar.vemuri@crisil.com

Chaitali Nehulkar

Associate Director
Rating Criteria and Product Development
chaitali.nehulkar@crisil.com

Ramesh Karunakaran

Director
Rating Criteria and Product Development
ramesh.karunakaran@crisil.com

Vanshika Agarwal

Rating Analyst
Rating Criteria and Product Development
vanshika.agarwal@crisil.com

In case of any feedback or queries, you may write to us at criteria.feedback@crisil.com

Executive summary

CRISIL Ratings rates fixed deposit (FD) programmes floated by banks, deposit-taking non-banking financial companies (NBFCs), and corporates in the non-financial sector. FDs allow companies to diversify their funding profile. Under an FD programme, the issuer accepts deposits of varying amounts and tenure from multiple investors. FDs are usually granular with maturities staggered across time horizons. Also, as a considerable portion of FDs are renewed on maturity, their repayment exerts less pressure on the liquidity of the issuer.

CRISIL Ratings used to rate FDs on a 14-point rating scale (see Table 1) till June 2022. In compliance with the Securities and Exchange Board of India (SEBI) guidelines on standardisation of rating scales¹ and The Reserve Bank of India (RBI) guidelines on minimum investment grade credit ratings for deposits of NBFCs², CRISIL Ratings now uses the SEBI standardised long term rating scale for rating of FDs as well.

In line with the change in the FD rating scale, CRISIL Ratings has revised its mapping framework for assigning FD ratings. Consequently, CRISIL Ratings has migrated its existing ratings on FD programmes from the dedicated FD rating scale to the SEBI-standardised long-term rating scale.

This migration has resulted in a change in the rating symbol, which indicates only a recalibration of the rating from one scale to another and does not reflect any change in the credit risk profile of the FD programme. That is, it is neither an upgrade nor a downgrade of the underlying credit risk profile of the FD programme. CRISIL Ratings will continue to rate short-term FD programmes on its nine-point rating scale.

Scope of criteria

This article explains CRISIL Ratings criteria for rating FD programmes floated by companies. It outlines the mapping framework used to derive the rating on the FD programme from the long-term credit rating of the issuer. CRISIL Ratings has fine-tuned the framework in line with the shift in the FD rating scale (from 14-point to 20-point) as mandated by SEBI.

This framework is only applicable to FD programmes with contracted maturity of more than a year. Banks may float FD programmes with contracted maturity of up to a year. Such programmes, however, are rated on the short-term credit rating scale of CRISIL Ratings based on its 'Criteria for rating short-term debt' available on www.crisilratings.com. These ratings are also derived from the issuer's long-term credit rating. CRISIL Ratings employs different criteria for assessing the issuer's long-term credit rating, depending on the sector in which the issuer operates. These criteria can be accessed at www.crisilratings.com.

Rating scale

CRISIL Ratings will rate FD programmes with contracted maturity of more than a year on the SEBI-standardised 20-point rating scale ('CRISIL AAA' to 'CRISIL D'). Short-term FD programmes — with contracted maturity of up to one year — offered by banks are rated on the short-term credit rating scale ('CRISIL A1+' to 'CRISIL D'). For more details on the rating scales, please refer to <https://www.crisilratings.com/ratings/credit-rating-scale.html>.

¹ Refer SEBI 'OPERATIONAL CIRCULAR' dated January 6, 2023, section 5.1 on Standardization of Rating Symbols and Definitions

² <https://rbidocs.rbi.org.in/rdocs/notification/PDFs/37CMIGR37687B27DCA44E1E9019CC2118E0D0F3.PDF>. For FDs raised by finance companies, RBI is the regulator and for those raised by non-financial corporates, the MCA is the concerned regulator. Both RBI and MCA now require FDs to be rated at a minimum investment grade for companies to be eligible to raise FDs. Investment grade rating threshold is as specified by the RBI; MCA notification dated June 29, 2016, also refers to the same threshold as defined by the RBI - https://www.mca.gov.in/Ministry/pdf/Rules_30062016.pdf

Table 1: Migrating from the 14-point rating scale to the SEBI-standardised 20-point scale

14-point FD rating scale		Standardised 20-point scale	
1	FAAA	1	CRISIL AAA
2	FAA+	2	CRISIL AA+
3	FAA	3	CRISIL AA
4	FAA-	4	CRISIL AA-
5	FA+	5	CRISIL A+
6	FA	6	CRISIL A
7	FA-	7	CRISIL A-
8	FB+	8	CRISIL BBB+
9	FB	9	CRISIL BBB
10	FB-	10	CRISIL BBB-
11	FC+	11	CRISIL BB+
12	FC	12	CRISIL BB
13	FC-	13	CRISIL BB-
14	FD	14	CRISIL B+
		15	CRISIL B
		16	CRISIL B-
		17	CRISIL C+
		18	CRISIL C
		19	CRISIL C-
		20	CRISIL D

Methodology

FDs are floated as programmes. There is a strong linkage between the rating on an issuer's FD programme and its long-term credit rating, which reflects the fundamental credit quality of the issuer, and also factors in the issuer's funding sources (including FDs), debt repayment profile, and liquidity.

In general, the rating on the FD programme will be the same as the long-term credit rating of the issuer as FDs are ranked pari-passu with other senior debt instruments.

For banks³, CRISIL Ratings may map the rating on the FD programme one notch higher than that of the issuer rating. The one notch higher rating is demonstrated by the fact that the investors in fixed deposits of scheduled commercial banks in India have not faced any losses in the past. The mapping framework factors banks' access to systemic liquidity; RBI's regulatory oversight over banks including efforts to safeguard interests of depositors; and deposit guarantee provided by the Deposit Insurance and Credit Guarantee Corporation (DICGC) up to a certain quantum. The mapping framework for banks will also take into account the ownership pattern of the bank (public or private sector banks); and the quality of the FD program reflected in parameters like granularity, and maturity profile of the FD program.

³ Scheduled commercial banks

- For accessing the previous version of the document, please follow the below link

https://www.crisilratings.com/content/dam/crisil/criteria_methodology/criteria-research/archive/crisil-ratings-criteria-for-fixed-deposit-programmes-feb2023.pdf

Conclusion

FD programmes of issuers are rated on the standard 20-point long term rating scale. Ratings are derived from the long-term credit ratings of issuers and in general will be the same as the issuer rating.

For banks, CRISIL Ratings may map the rating on the FD programme one notch higher than that of the issuer rating. This is to account for banks' superior access to systemic liquidity, the RBI's oversight over banks including efforts to safeguard interests of depositors, and the presence of deposit insurance. The mapping for banks will also take into account the ownership pattern of the bank and the quality of its FD programme.

About CRISIL Ratings Limited (A subsidiary of CRISIL Limited, an S&P Global Company)

CRISIL Ratings pioneered the concept of credit rating in India in 1987. With a tradition of independence, analytical rigour and innovation, we set the standards in the credit rating business. We rate the entire range of debt instruments, such as, bank loans, certificates of deposit, commercial paper, non-convertible / convertible / partially convertible bonds and debentures, perpetual bonds, bank hybrid capital instruments, asset-backed and mortgage-backed securities, partial guarantees and other structured debt instruments. We have rated over 35,000 large and mid-scale corporates and financial institutions. We have also instituted several innovations in India in the rating business, including rating municipal bonds, partially guaranteed instruments and infrastructure investment trusts (InvITs). CRISIL Ratings Limited ("CRISIL Ratings") is a wholly-owned subsidiary of CRISIL Limited ("CRISIL"). CRISIL

Ratings Limited is registered in India as a credit rating agency with the Securities and Exchange Board of India ("SEBI").

For more information, visit www.crisilratings.com.

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It is India's foremost provider of ratings, data, research, analytics and solutions with a strong track record of growth, culture of innovation, and global footprint.

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