



# Central Depository Services (India) Limited

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## COMMUNIQUÉ TO DEPOSITORY PARTICIPANTS

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CDSL/OPS/DP/POLCY/2025/327

May 16, 2025

### **SEBI CIR- RATING OF MUNICIPAL BONDS ON THE EXPECTED LOSS BASED RATING SCALE**

DPs are advised to refer to the SEBI Circular no. **SEBI/HO/DDHS/DDHS-PoD-2/P/CIR/2025/70** dated May 15, 2025, regarding **Rating of Municipal Bonds on the Expected Loss (EL) based Rating Scale [refer Annexure]**.

DPs are advised to take note of the same.

Queries regarding this communiqué may be addressed to: CDSL – Helpdesk Emails may be sent to: [dptasupport@cdslindia.com](mailto:dptasupport@cdslindia.com) and connect through our **IVR Number 022-62343333**.

**For and on behalf of  
Central Depository Services (India) Limited**

**sd/-**

**Nilesh Shah  
Asst. Vice President**

**CIRCULAR**

**SEBI/HO/DDHS/DDHS-PoD-2/P/CIR/2025/ 70**

**May 15, 2025**

To,

**All Registered Credit Rating Agencies (CRAs)**

**All Registered Debenture Trustees,**

**Issuers who have listed and/ or propose to list Non-Convertible Securities,  
Securitized Debt Instruments, Security Receipts, Municipal Debt Securities or  
Commercial Paper**

**Recognized Stock Exchanges**

**All Depositories registered with SEBI**

Dear Sir / Madam,

**Sub: Rating of Municipal Bonds on the Expected Loss (EL) based Rating Scale**

1. Para 5.6.1 of the Master Circular for Credit Rating Agencies (CRAs) ("Master Circular") dated May 16, 2024 provides that in addition to the standardized rating scales prescribed for various instruments, an Expected Loss (EL) based Rating Scale may be used by CRAs for ratings of projects/ instruments associated with infrastructure sector.
2. Pursuant to deliberations with various stakeholders, including the Corporate Bonds and Securitisation Advisory Committee (CoBoSAC), it is felt that EL Ratings, when used along with standardized rating scale/ Probability of Default (PD) Rating, can better reflect the recovery prospects of municipal bonds. Further, Urban Local Bodies/ Municipalities issue bonds primarily for the creation/ development of infrastructure. Therefore, it has been decided that CRAs may, in addition to the standardised rating scale, extend the EL-based Rating Scale for rating of Municipal Bonds which are issued for financing infrastructure assets.
3. This circular shall be applicable with immediate effect.

4. This circular is issued with the approval of competent authority, in exercise of the powers conferred by Section 11 (1) of Securities and Exchange Board of India Act, 1992 read with the provisions of Regulation 20 of CRA Regulations to protect the interest of investors in securities and to promote the development of, and to regulate, the securities market.
5. This Circular is available on the website of the Securities and Exchange Board of India at [www.sebi.gov.in](http://www.sebi.gov.in) under the category “Legal” and under the drop down “Circulars”.

Yours faithfully,

**Ritesh Nandwani**  
**Deputy General Manager**  
**Department of Debt and Hybrid Securities**  
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**Email ID - [riteshn@sebi.gov.in](mailto:riteshn@sebi.gov.in)**