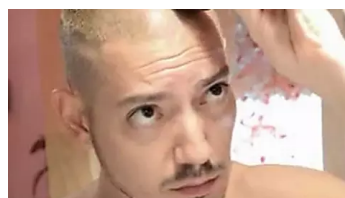




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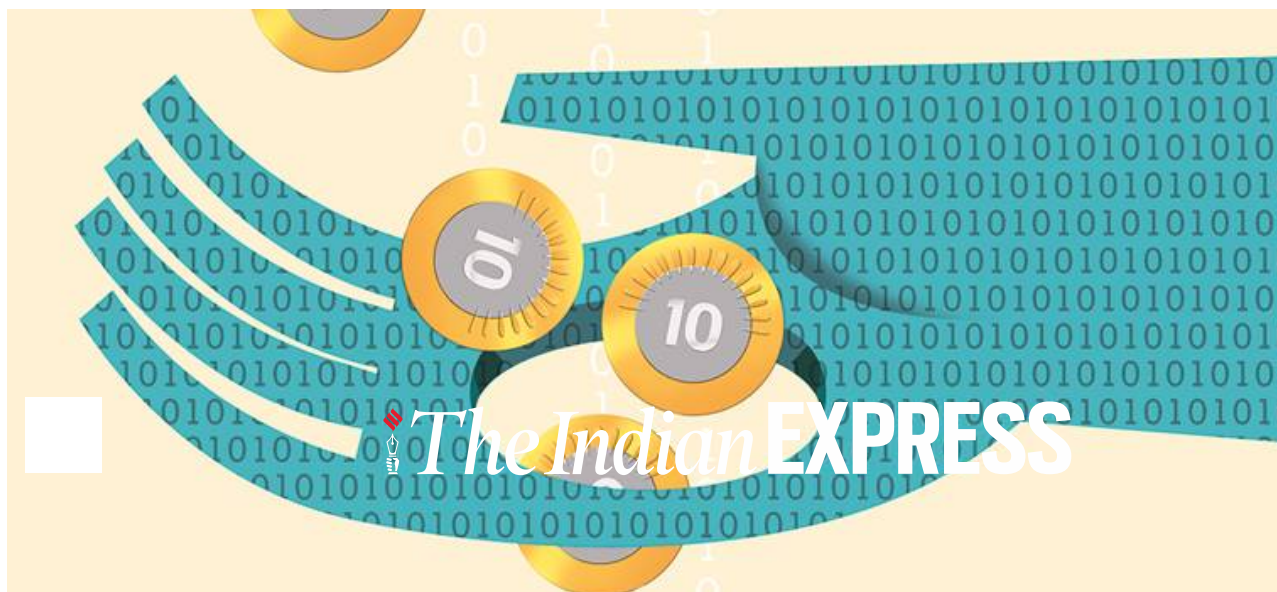
Home Business Banking And Finance India Inc's average interest cost at 8.2%, lower than home loans: Care Ratings

# India Inc's average interest cost at 8.2%, lower than home loans: Care Ratings

The study said the four leading sectors which increased their debt by over Rs 10,000 cr each in FY17 were telecom, power, non-ferrous metals and crude oil.

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By: **ENS Economic Bureau** | Mumbai | Published: October 10, 2017 1:55 am



The other industries that witnessed an increase of more than Rs 2,000 crore each were logistics, iron and steel, auto, textiles and trading.

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India Inc's average interest cost was 8.2 per cent for fiscal 2017 as against the MCLR (marginal cost of funds based lending rate) of 7.75-8.10 per cent and base rate of 9-9.55 per cent, a report by Care Ratings has said.

Firms in general are paying a lower interest rate than home, vehicle and personal loan customers. State Bank of India's home loan rate is now 8.35 per cent.

"Companies have been replacing more expensive loans with cheaper ones and have hence on an average kept the rate down. 27 of the industry groups had an average interest cost of above 8.2 per cent. The

highest rates were for capital goods, followed by infrastructure and FMCG. Some of the services had very high cost of borrowing like education, retail, media, realty and aviation," said the Care Ratings study on interest costs across various sectors

“The finance sector had averaged 8.5 per cent and was just above the sample average. Crude oil, logistics and power had relatively lower cost of credit compared with the others. Accessing the bond market and ECBs were routes used by some of these companies to keep costs under check,” it said.

It said the aggregate debt of the sample companies, excluding finance, increased from Rs 17.73 lakh crore to Rs 18.65 lakh crore in FY17. For the finance companies, the increase was from Rs 12.45 lakh crore to Rs 13.92 lakh crore. “The industries with the highest share in outstanding debt in FY17 were power (19.9 per cent), iron and steel (14.1 per cent), crude oil (12.4 per cent) and telecom (10.4 per cent),” it said.

These 4 sectors accounted for around 57 per cent of total debt in the system. The next three industries with high shares were lower at 4.5 per cent for textiles and 4.4 per cent for both non-ferrous metals and infrastructure.

The study said the four leading sectors which increased their debt by over Rs 10,000 cr each in FY17 were telecom, power, non-ferrous metals and crude oil. With the exception of non-ferrous metals, the other three had low average interest cost of less than that of the sample companies, it said. Some of these companies have accessed the ECB market to lower their borrowing costs, while others have also borrowed in the corporate debt market where transmission of policy rates has been swift.

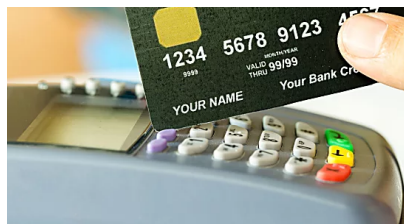
The other industries that witnessed an increase of more than Rs 2,000 crore each were logistics, iron and steel, auto, textiles and trading. Almost half the industries — 19 of them — had witnessed deleveraging with outstanding debt level coming down in FY17. The highest amount of reduction in debt came from chemicals, construction material, industrial gases and aviation (not a representative sample as it consists of only two companies) besides the diversified group of companies.

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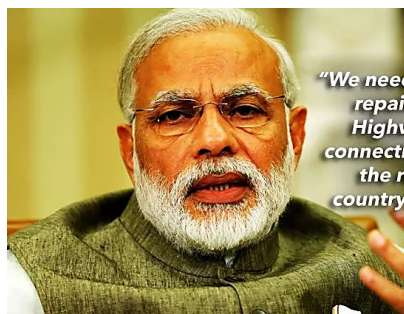
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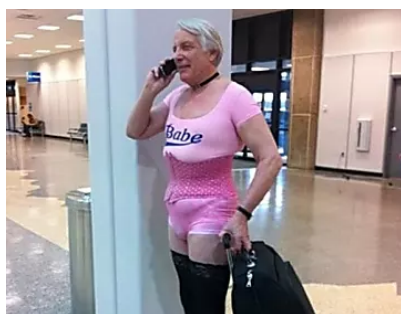
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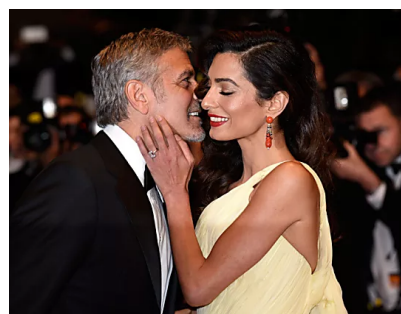
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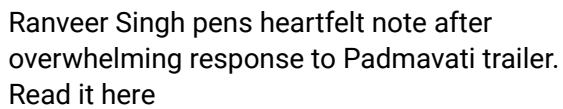
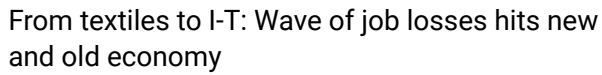
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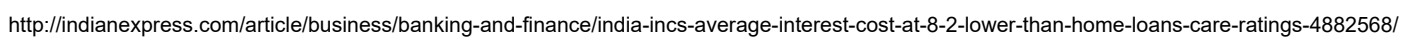
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