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Synopsis
India's credit ratio, the gauge for overall creditworthiness that compares upgrades to downgrades, stood an all-time high at 3.74 between April and September this financial year, showed data from CareEdge Ratings. In the preceding six months, it was 2.64.

However, any ugly spike in inflation could well upset the apple cart, with price rises likely puncturing rural consumption demand and moderating corporate capex plans.

Mumbai: Local companies secured a record number of rating upgrades for the first half of the fiscal in comparison with downgrades, lending further credibility to the assessment that India remains largely decoupled from a troubled global economy due to its undiminished domestic consumption demand.

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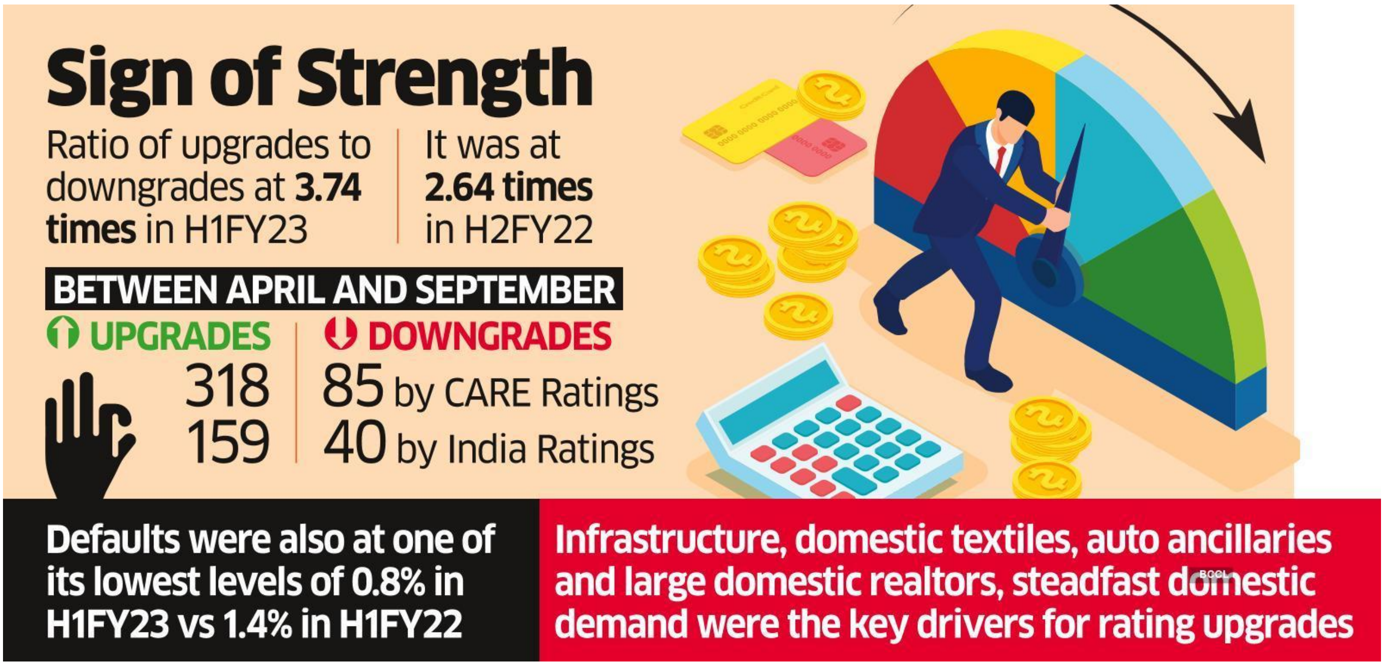
"Amid concerns of a global recession, the Indian economy is relatively better placed with business activities regaining momentum," said Sachin Gupta, chief rating officer, CARE Ratings NSE -0.73 %. "The consumption and demand story is stirring confidence among many local companies that are unlikely to face global headwinds. The credit ratio is likely to remain strong in the coming quarters."



While the creditworthiness outlook has improved in India, the West faces the likelihood of downgrades through the protracted battle against inflation and geopolitical risks that have combined to tip several countries into recession.

"The infrastructure sector accounted for a significant share of upgrades, driven by improved cash flows, achievement of project milestones and equity infusion," said Subodh Rai, president and chief ratings officer, Crisil NSE -1.88 % Ratings. "In the consumer-facing discretionary sectors such as domestic textiles, auto ancillaries and large domestic realtors, steadfast domestic demand has been driving upgrades. The trend will continue to support a positive credit quality

Between May and September, the Reserve Bank of India (RBI) raised the benchmark repo rate by 190 basis points to 5.90%, prompting lenders to follow up the action quickly with successive rate hikes. A basis point is 0.01 percentage point.

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"Indian companies have not shown any sign of distress due to rising interest rates," said K Ravichandran, chief rating officer at ICRA NSE 0.95 % Ratings. "Rising demand in sectors such as real estate, non-conventional energy and steel, coupled with significant deleveraging, is offsetting the effect of higher funding costs."

CARE upgraded 318 companies while downgrading just about one-fourth of that tally during this period. The trend broadly would be similar for all other domestic rating companies.

Defaults were also at one of their lowest levels of 0.8% of the co-operative reviewed ratings in the first half of FY23 versus 1.4% in the corresponding period a year ago, according to India Ratings. It upgraded the ratings of 159 issuers while downgrading only 40 during the period.

Improving credit profiles coupled with availability of liquidity has added to companies' advantage. Issuers have now better access to working capital funds. "Credit profiles have adequate headroom to navigate the current challenges," said Arvind Rao, head-credit policy group at India Ratings.

Bank credit expanded 16.2% year-on-year to ₹125.5 lakh crore as on September 9 this year. The pace of loan growth has more than doubled from the same period a year ago.

However, any ugly spike in inflation could well upset the apple cart, with price rises likely puncturing rural consumption demand and moderating corporate capex plans.

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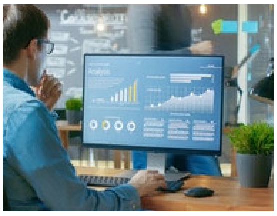

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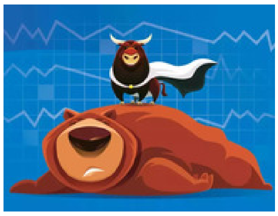

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