

India Inc's credit rating upgrade momentum continues in first half of FY23

Profiles have adequate headroom to navigate the current challenges.

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The credit profile of Indian corporates continued the strong rating upgrade

momentum in the first half ended September 30, 2022 (H1FY23). The momentum has remained resilient to deteriorating macroeconomic conditions, according to two rating outfits - India Ratings and CareEdge.

The drivers of credit ratings in H1FY23 are similar to those of FY22, i.e. healthy financial profile, improving business performance and availability of liquidity.

India Ratings and Research (Ind-Ra) upgraded the ratings of 159 issuers, while downgrading the ratings of only 40 issuers in April-September 2022. The upgrades have exceeded the downgrades for the past four half-year periods. The corporate downgrade to upgrade ratio (D-U ratio) was at one of its lowest at 0.25 (1HFY22: 0.28; FY22: 0.31), Ind-Ra said in a statement.

Meanwhile, CareEdge Ratings in a separate statement said its credit ratio, ratio of upgrades to downgrades, touched an all-time high level of 3.74 times in H1FY23. This points towards a buoyant credit outlook, despite the prevailing geopolitical tensions and recessionary conditions in developed nations.

The Credit Ratio was on an uptick from 2.64 times in H2FY22 to 3.74 times in H1FY23. CareEdge Ratings upgraded ratings of 318 entities and downgraded ratings of 85 entities during H1FY23, it added.

Dwelling on driver for upgrade momentum, Arvind Rao, Head Credit Policy Group at Ind-Ra said issuers benefitted from the gains accrued to their credit profile post the pandemic-induced lockdowns.

Despite the current macroeconomic maelstrom - high inflation, sharply rising interest cost, runaway commodity prices, depreciating rupee, likely recession in major economies and weakening exports - credit profiles have adequate headroom to navigate the current challenges.

CareEdge Ratings said corporate India has remained stable and will continue to grow at a steady pace. However, it remains cautious of the uncertain global environment and repercussion of the same on the Indian economy, said Sachin Gupta, Executive Director and Chief Rating Officer-CareEdge Ratings.