SECOND WAVE Agencies want Sebi to relax deadline as cos, particularly in North & West India, are finding it difficult to provide required data

Rating Cos Seek More Time for Assessment on Covid Hurdles

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Mumbai: Rating companies have sought relaxation of deadlines from the capital market regulator on delivering the rating for select companies, particularly in the North and West India where Covid-19 has thrown life into turmoil.

Rating agencies are facing delays in routine credit assessments as the pandemic has crippled corporates' ability to provide required data due to logistical reasons, insiders said. Some executives are down with the infection, making physical verification a rare thing, they said.

"The second wave of Covid-19 has hit companies badly, particularly in West and North India," said R Ravichandran, deputy chief rating officer at ICRA Ratings. "Those companies are crippled to provide data needed for routine credit assessments. Either their logistics are limited due to localised lockdowns or their rating coordinators are down with infection."

Rating agencies are said to have individually approached the Securities and Exchange Board of India, seeking a regulatory relaxation on deadline. Emails sent to Sebi remained unanswered until press time Wednesday.

A rating company is supposed to carry out 'surveillance' on an existing rating every year until it expires. This stipulation may be breached in many cases this time due to lack of available data, industry insiders said. Similarly, it generally takes two to four weeks to accord a new issuer rating or instrument rating, they said.

Regulatory Need

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A new issuer/ instrument rating takes 2-4 weeks	**In H2FY21** there were only 142 rating upgrades compared to 778 downgrades

Corporates are asking for deferment of rating reviews

Rating co staff themselves are hit by Covid

While issuer's rating is rare these days, grades for instruments like non-convertible debentures (NCDs) and bank term loans could not be availed within a timeline.

"The second wave has interrupted normal business activities in a big way," said Ajay Mahajan, managing director at CARE Ratings. "Smaller companies are not as organised as they are under normal circumstances. This will naturally lead to delays due to both logistical and human resource bottlenecks. We are proactively working with our clients on such possible delays on routine assessment of creditworthiness."

There have been much more rating downgrades than upgrades in recent times.

In the second half of the last financial year, there were just about 142 upgrades against 778 downgrades, as per data from Acuite Prime Credit Rating Migration Database. The credit ratio was at 0.18%, reflecting a clear swing towards downgrades.

"We are getting an increasing number of requests from clients to defer the rating reviews due to their teams' inability to submit information," said Suman Chowdhury, chief analytical officer at Acuite Ratings. "We believe the regulators will provide some flexibility on the timelines as they have done in the previous year," he said.

"What we see this time is that more employees in CRAs are directly impacted which is also hampering the usual productivity levels," Chowdhury said.

The first wave of Covid-19 and the subsequent pan-India lockdown had created challenges for corporates in timely information sharing for rating reviews and credit rating agencies did get the necessary dispensation in that regard.

While the rating timelines were returning to normal, the second wave of the pandemic has come as a much larger disruptor to not only the corporates but also to credit rating agencies.

Rating companies will remain busy in the next few months as they assess the risk of the latest round of business curbs after a series of regulatory and judicial interventions swept many weaknesses under the carpet after the first round of lockdowns last year.

While no immediate rating downgrades could happen, a lot of companies in hospitality, retail, travel and tourism, commercial real estate, and entertainment could see sharp downgrades.