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Indian companies are getting downgraded like never before: Report

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ht Bloomberg | Posted by: Shankhyaneel Sarkar



Work resumes after relaxations in lockdown restrictions at a mobile phone manufacturing facility in Sector 63, Noida.(Sunil Ghosh / Hindustan Times)

Indian companies are getting downgraded at the worst pace ever, adding to challenges for policy makers trying to keep credit markets from seizing up amid the Covid-19 pandemic.

For every upgrade of rupee debt of Indian firms since April 1 there have been about 11 downgrades, leaving this quarter set to be the worst on record if sustained, according to a review of moves by India's four main credit assessors -- CARE Ratings, Crisil, ICRA and India Ratings and Research.

Ratings have been cut for 774 domestic firms in the period. That's pushing up refinancing

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“The surging pace of credit downgrades can possibly continue beyond June as the lockdown has led most of the industrial activity in the country to shut down, though a lot depends on how fast the companies are able to get back to business and the pick up in demand,” according to TN Arun Kumar, chief ratings officer at CARE Ratings Ltd. “Even if companies are able to restart businesses by the end of this quarter, it will be a very tapered recovery for most firms.”



Authorities have recently sought to boost firms’ access to the local credit market with steps including funding banks to buy company notes. Also, the central bank in late March allowed lenders to give a three-month moratorium to borrowers on servicing loan obligations.

But risks have still mounted. The Centre last week ramped up government borrowings for the fiscal year that started April 1. The move has threatened to crowd corporate borrowers out of the local debt market, in the latest threat to local credit markets.

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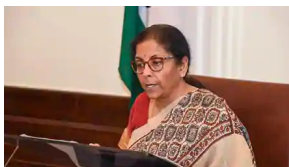
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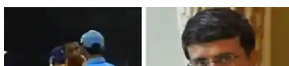
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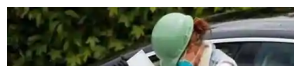
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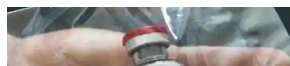
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