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09:52 AM | 04 May **Live** **SENSEX** **27,350.67** ▲ 339.36 | **NIFTY** **8,280.55** ▲ 99.05 | **GOLD (MCX) (Rs/10g.)** **26,625.0** ▼ -91.0 | **USD/INR** **63.43** ▼ -0.01 | **LOGIN to Track your Investments**

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Three reasons why India Inc's credit scores are on the mend

Ashutosh R Shyam, ET Bureau May 1, 2015, 05.20AM IST

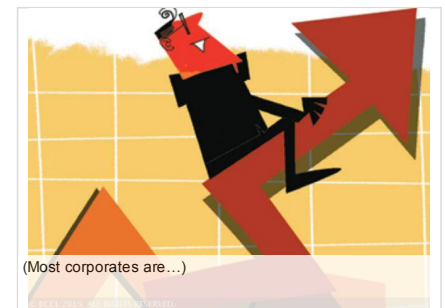
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India's corporate credit score is improving, thanks to its lower debt burden and debt-rating upgrades outnumbering downgrades. According to [Bloomberg](#) data, the average ratio of upgrade to downgrade by the three credit rating agencies — [Crisil](#), [Icra](#) and [Care](#) — is 2.35 in FY15, the highest since FY11.

An improved credit rating also reduces concerns over lenders' asset quality. Most corporates are rated between BBB and B that carry higher risk-weight and lock up more lender capital than exposure to Triple-A rated corporates. Thus, upgrades help banks to save capital through lower risk-weights.



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There have been more than 109 upgrades over the last three quarters as against 47 downgrades. Credit ratings have improved for companies like [Ashok Leyland](#), [Ranbaxy](#) and [Ceat](#), while [Jindal Steel & Power](#), [Parsvnath Developers](#), [Everest Kanto Cylinder](#) and [Bajaj Electricals](#) were downgraded.

There are 3 reasons for improved ratings:

.. Corporates have put in efforts to cut cost. "We have seen companies finding innovative ways to bring down cost and ease the working capital burden," said DR Dogra, MD & [CEO](#), [CARE](#).

.. Companies are refinancing debts to lower interest burden.

.. Third, since the more vulnerable companies were downgraded in FY12 and FY13, there have been lesser downgrades subsequently. Also, some of the companies which were downgraded two years ago have bettered their credit profile.

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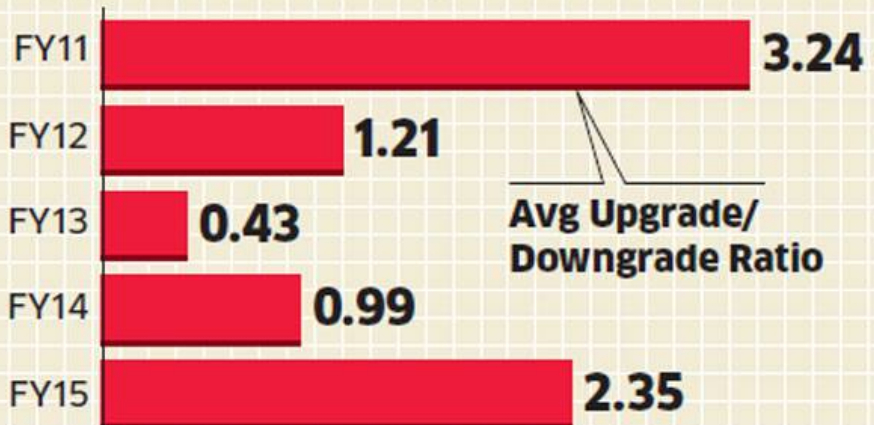
The Juvenile Justice (Care and Protection of Children) Bill, 2014 seeks to try 16-18 years old juveniles accused of heinous crimes under laws for adults.

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DEBT RATING

Upgrade to Downgrade Ratio



Source: Bloomberg, compiled by ETIG



CREDIT UPGRADE Since Beginning of Year

- Suprajit Engineering
- Sona Koyo Steering
- Ashok Leyland
- Noida Toll Bridge
- Ranbaxy
- JK Lakshmi
- Ceat
- JK Tyre



CREDIT DOWNGRADE Since Beginning of Year

- Bajaj Electricals
- Monnet Ispat
- Jaypee Infra
- JSPL
- Parsvnath Developers
- Everest Kanto Cylinder

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