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Borrowing costs have declined for local companies due to a barrage of stimulus steps. (REUTERS)

## Record stimulus slows credit downgrades of Indian companies

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Bloomberg

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- That compares with a ratio of almost 11 to one in the three months ended June 30

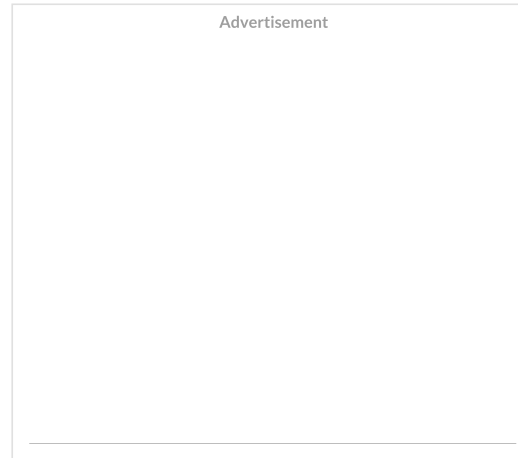


India's unprecedented stimulus measures to fight the coronavirus crisis are starting to show signs of slowing the sharp worsening in corporate credit quality.

There have been around five [downgrades](#) for every one upgrade of rupee debt of Indian firms since July 1. That compares with a ratio of almost 11 to one in the three months ended June 30, a record rate, according to a review of moves by India's four main credit assessors -- CARE Ratings, Crisil, ICRA and India Ratings & Research.

"The stimulus has brought incremental relief to firms in India, helping them to stay afloat and avoid the risk of closures," said TN Arun Kumar, chief ratings officer at CARE Ratings Ltd. "The

measures have helped corporates tide over cash problems and boosted their short-term credit profiles."



Borrowing costs have declined for local companies due to a barrage of [stimulus](#) steps. Prime Minister Narendra Modi's government unveiled \$277 billion of stimulus in May, while the central bank pumped \$50 billion of cash into domestic banks in March and it has cut its benchmark repurchase rate to the lowest level ever. The lower funding rates are important for India's corporate sector, which faces a bill of about 1.5 trillion rupees (\$20 billion) in bond repayments in the quarter through September.

Yield premiums for AAA ranked 10-year rupee company notes over similar-maturity sovereign debt have declined to 80 basis points from 152 at the end of May, the highest since 2009, according to data compiled by Bloomberg.