

# Rating Upgrades Reveal India Inc in Better Fin Health

Highest number of upgrades seen in FY22 as cos cut expenses, lighten balance sheets

Saikat.Das1@timesgroup.com

**Mumbai:** Financial health of Indian companies improved the most in nearly a decade, evident in the highest number of rating upgrades last fiscal, as most borrowers restrained expenses and sweated existing assets to lighten their balance sheets through the pandemic.

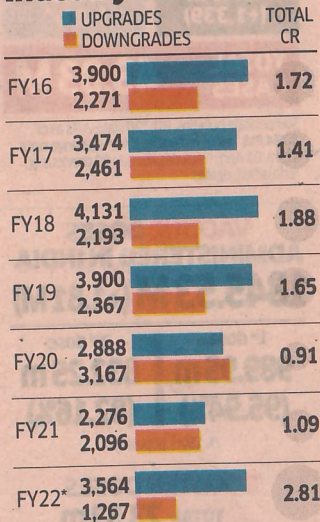
The industry credit ratio, a gauge for financial health measured as a proportion of upgrades vis-à-vis downgrades, surged 172 basis points year-on-year to 2.81, data from Prime Acuite Rating Database showed. Prime Acuite compiled data from seven local rating companies.

One basis point is 0.01%.

This is possibly the highest level for the gauge in a decade. The data set was updated until March 29 of FY22.

"While consumer sentiment and demand are likely to improve this year, the uncertainty over Russia-Ukraine geopolitics and US Fed policy could play the spoilsport," said K Ravichandran, chief rating officer at ICRA Ratings. "With credit growth picking up, you can expect capex from renewable energy, steel, infrastructure (rail/road), oil and gas as select companies have adequately deleveraged last year."

## Industry Credit Ratio



\*Till Mar 29 Source: Prime Acuite Rating Database

Rating companies are optimistic about higher ratings for borrowers, but surging inflation and its potential impact on growth could restrain the quantum of debt on balance sheets.

"However, capex related borrowing would not be widespread but limited amid the evolving economic scenario," Ravichandran said.

The total number of upgrades was 3,564, versus 1,267 downgrades during FY22. This was in stark contrast to the preceding year, which witnessed 2,276 upgrades vis-à-vis 2,096 downgrades.

Chemical companies along with entities from pharmaceutical, ferrous metals, power, road and constructions sectors made up the largest share of upgrades.