PRESS RELEASE

April 1, 2024

Performance of ICRA-Assigned Ratings in FY2024

- *Credit profiles continue to show strength amidst strife*

India Inc. bore the direct and the indirect effects of multiple challenges in FY2024, including inflation, rise in borrowing costs, sub-par monsoons, supply-effects of the continued war between Russia and Ukraine, start of another conflict between Israel and Palestine, the Red Sea crisis, besides sluggish exports. Yet, these did not feel heavier as domestic consumption demand across several sectors, government spending on public infrastructure, and healthy balance sheets lent support to the credit profiles of entities.

In the just-concluded fiscal, ICRA upgraded two entities for every entity downgraded, in continuation of the upgrade momentum that had been set in motion in FY2022, on the heels of the first year of the pandemic.

Commenting on the overall developments, **Mr. K. Ravichandran, Chief Rating Officer, ICRA**, said: "*The rating action trends in FY2024 marked the normalisation of the rating change rate with the proportion of rating reaffirmations at 80% converging with the past 10-year average. The reaffirmation rate had been between 75%-78% in the preceding two fiscals. Also, a large majority of rating upgrades were driven by company-specific factors such as expansion in market share or order book, improvement in the cost structure, reduction in project risk, or fresh equity infusion that strengthened the balance sheet. Aviation, Hospitality, Auto & Auto Components, and Banks were the only few sectors in FY2024 where the rating upgrades were induced mostly by industry tailwinds.*"

ICRA maintains a Positive outlook on the Hospitality sector for FY2025 as well. In contrast, the sectors where industry headwinds played spoilsport in FY2024 and may continue to do so in the near term include Chemicals, Cut & Polished Diamonds, and Bulk Tea.

Overall, as credit profiles continued to improve last year, the number of instances of defaults dipped to five in FY2024, compared with 22 in FY2023 and 42 in FY2022. The severity of rating actions, as measured by the Large Rating Change Rate[1], also reduced to 0.7% in FY2024 from 1.4% in FY2023 and 2.3% in FY2022.

Looking ahead, the macroeconomic conditions in India appear promising which along with relatively stable commodity prices would be supportive of the credit profiles. ICRA expects India's GDP to expand by 6.5%[2] in FY2025 (ICRA expectations: +7.6% in FY2024) with the average CPI inflation estimated to moderate to 4.6% during the year (ICRA expectations: +5.3% in FY2024), even as the WPI may move back to a low 2-4% print (ICRA expectations: -0.7% in FY2024).

"*Corporate India has shown a high resilience to withstanding the rise in borrowing costs over the past two years and is seen to have the capacity to bear the current level of interest rates, before the rate cut cycle likely begins in the latter part of the year. The asset quality of banks and NBFCs has also been at its decadal best with the profitability and the capitalisation indicators expected to remain healthy in the near term. The series of proactive actions taken by the regulators (RBI and SEBI) in the recent years would work to further strengthen the financial*

[1] *Large Rating Change Rate is defined as the proportion of ratings that were downgraded or upgraded by a cumulative of three or more notches during the year.*

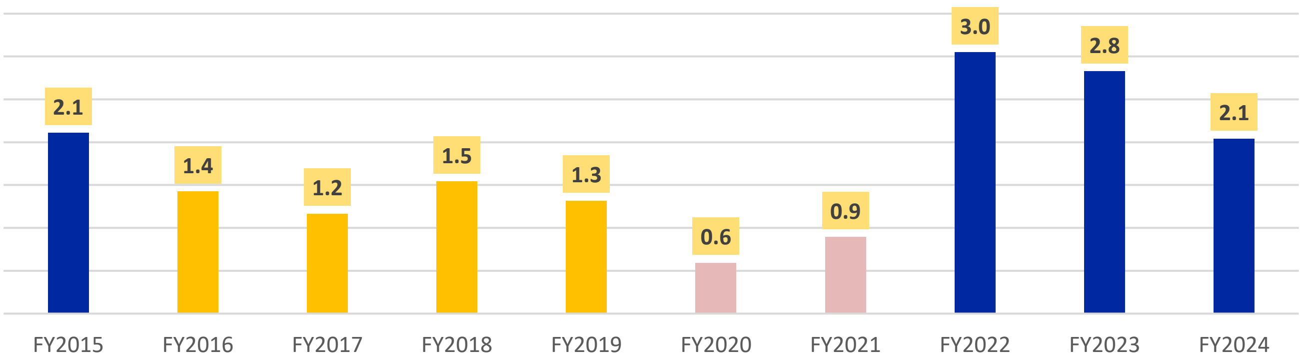
[2] *Dampened somewhat by expected subdued growth outcomes in H1 FY2025 on account of transient factors such as slower economic activity during the election months, and other factors such as cautious rural demand until there is greater visibility on farm cash flows from rabi procurement and the monsoon turnout. Also, the relatively slower credit growth expectations for FY2025, besides the still-to-recover export demand would likely hold back India's GDP growth during the year.*

system and the capital markets. The key downside factors that could throw a spanner in the works to this radiant prognosis would be how the monsoons pan-out this year and how the complicated geopolitical landscape evolves", added **Mr. Ravichandran**.

The detailed report can be accessed at this link.

ANNEXURE

Trend in the Credit Ratio of ICRA-Assigned Ratings



Sectors that witnessed the highest ratings activity in FY2024

	Credit Ratio	Upgrade Rate	Downgrade Rate
SECTORS WITH THE MOST NUMBER OF UPGRADES IN FY2024			
Auto & Auto Components	10.0	17%	2%
Financial Sector	5.7	13%	2%
Hospitality	23 upgrades, NIL downgrades	37%	0%
Power	2.9	14%	5%
Realty	4.3	14%	3%
Transport Infrastructure	2.2	17%	8%
SECTORS WITH THE MOST NUMBER OF DOWNGRADES IN FY2024			
Agricultural Food & Other Products	0.7	10%	14%
Chemicals & Petrochemicals	0.6	5%	9%
Construction	0.8	7%	8%
Textiles & Apparels	0.5	9%	18%

Notes

Credit Ratio is defined as the ratio of the number of entities upgraded to that downgraded during the year.

Upgrade Rate is defined as the number of entities upgraded in the period of analysis as a percentage of the total number of rated entities as of the beginning of the period.

Downgrade Rate is defined as the number of entities downgraded in the period of analysis as a percentage of the total number of rated entities as of the beginning of the period.

NOTE: The calculations do not capture the ratings that were in the Issuer Not Cooperating (INC) category at the beginning of the year. Also, the calculations exclude the entities whose ratings were downgraded during the year because of their non-cooperation unless it was a case of a downgrade to the [ICRA]D category.

Click here to access our previous press releases on the sector.

For further information, please contact:

Media Contacts:	
Naznin Prodhani Group - Head Corporate Communications and Media Relations ICRA Ltd Tel: + (91 124) 4545300, Dir - 4545860 Email: naznin.prodhani@icraindia.com	**Saheb Singh Chadda** Deputy Manager Corporate Communications and Media Relations ICRA Ltd Mob: +91- 9833669052 Email: saheb.chadda@icraindia.com

About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency. Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

Click on the icon to visit our social media profiles.