

PRESS RELEASE

September 30, 2025

Corporate Credit Profile Remains Resilient Amid Global Headwinds

Domestic Booster to Cushion Global Shocks

Despite the ongoing global uncertainties, including tariff-related disruptions and geopolitical tensions, the credit profile of Indian corporates has demonstrated remarkable resilience. Rating agency ICRA's rating actions in the first half of FY2026 underscore the strength of India Inc.'s balance sheets and the supportive domestic business environment. During H1 FY2026, ICRA upgraded the ratings of 214 entities while downgrading 75, resulting in a robust Credit Ratio of 2.9x¹. This marks a significant improvement over the Credit Ratio of 2.0x in FY2025 and 2.2x in H1 FY2025.

Commenting on the overall developments, **K. Ravichandran, Executive Vice President & Chief Rating Officer, ICRA**, said: "The imposition of steep 50% tariff on Indian exports to the US presents a significant challenge for exporters, particularly in sectors such as cut & polished diamonds (CPD), textiles, and seafoods, which are heavily reliant on the US market. However, the domestic-focused nature of the Indian economy is expected to limit the broader macro impact posed by higher US tariffs. Domestic consumption is likely to receive a boost from GST rate rationalisation, income tax relief, transmission of rate cuts, and easing food inflation, particularly aiding urban demand, which has seen uneven recovery thus far. In view of these positive domestic trends, ICRA has revised its GDP growth forecast for FY2026 upward by 50 basis points to 6.5%, helping to cushion the adverse effects of the US tariffs. That said, the potential extension of protectionist measures to the services sector remains a key monitorable. If enacted, the proposed HIRE Act could significantly disrupt India's outsourcing industry, given its substantial reliance on the US market."

Rating upgrades in H1 FY2026 were largely driven by entity-specific factors such as the improvement in business fundamentals, strengthening of the parent's credit profile, and reduced project risks in sectors like power and roads. Key business drivers included market share expansion, order book growth, operating leverage from scale, and favourable shifts in product mix and cost structures. Industry-specific factors also influenced rating actions, notably in the hospitality, microfinance, and chemical sectors. Power, realty and hospitality sectors, which make up a quarter of ICRA's portfolio, contributed to half of the rating upgrades.

Credit conditions remained benign, with a low default rate of 0.2% in H1 FY2026. Of the six defaults, only one was investment-grade, involving an NBFC focused on MSME lending that faced liquidity stress due to covenant breaches. The Large Rating Change Rate (LRCR), defined as ratings upgraded or downgraded by three or more notches, stood at a low 0.8% (annualised), well below the five-year average of 1.5%.

The 50% tariffs imposed by the US on Indian exports pose a significant risk to India's merchandise trade going forward. Given that the US accounts for nearly 20% of India's exports and 50–60% of these are now vulnerable, merchandise exports could contract by approximately 4–5% YoY in FY2026 if the higher tariffs persist through March 2026. This decline may widen the trade deficit and push the current account deficit (CAD) to around 1.2% of GDP in FY2026. The Indian Rupee (INR) has been one of the weakest-performing emerging market currencies in CY2025, hitting a record low of 88.8 against the US dollar in September 2025. While the depreciation may offer

¹ As per the rating actions up to Sep 29, 2025

some relief to exporters, it could weigh on the profitability of India Inc. Nevertheless, the range-bound commodity prices are likely to limit the overall impact.

Despite the external headwinds, the overall impact on the Indian economy is expected to remain limited due to its domestic- oriented nature, with exports to the US accounting for only ~2% of the GDP. Domestic private consumption, which contributes ~57% to the GDP, is poised to get a boost from the recent GST rate rationalisation, which is likely to enhance affordability and stimulate household spending. While the rural demand has been strong, urban demand has been uneven. The GST rate cut, income tax relief, easing food inflation and transmission of the rate cuts are expected to aid the recovery of urban demand. *"While certain sectors may witness a pick-up in private capex due to improved domestic demand, the subdued export outlook and rising import concerns are likely to delay a broad-based revival in the private investment cycle", added Ravichandran.*

The corporate balance sheets have strengthened significantly over the past decade. The Total Debt-to-OPBDITA ratio declined from 3.4x² in March 2016 to 2.1x in March 2025, while the proportion of cash and current investments relative to total debt improved from 32% to 46%. Despite a strong 13% CAGR in capex over the past five years, higher operating cash flows have helped reduce reliance on debt and strengthen liquidity. On an average, cash and current investments have been nearly twice the annual capex, giving companies the flexibility to scale up investments without straining their financials.

In the financial sector, asset quality pressures in retail and MSME segments slowed the growth for private banks and NBFCs in FY2025, and these are expected to persist in FY2026. Although the incremental bank credit growth this year trails last year's pace, the pick-up in economic activity following the GST rate cuts is likely to support credit growth. Bank credit is projected to grow by 10.4–11.3% YoY, while NBFC credit (excluding infrastructure-focused entities) may expand by 15–17%, similar to the FY2025 levels.

Looking ahead, domestic consumption and the Government's sustained focus on infrastructure development are expected to remain the primary growth drivers, amidst global uncertainties and rising protectionist measures. Rural demand is expected to stay firm, supported by a positive outlook for the ongoing kharif season. Urban consumption is also expected to gain momentum, supported by the recent GST rate rationalisation.

ANNEXURE

Trend in the ratings activity in select sectors

Trend in the Credit Ratio	FY2023	FY2024	FY2025	H1 FY2026	Comments on H1 FY2026 rating actions
Auto Components	6.0	10.0	5.0	2.8	Healthy sales and earnings growth, supported by operating leverage and cost optimisation, led to several upgrades.
Financial Sector	5.0	5.7	2.5	0.9	Asset quality pressure in the microfinance segment has increased downgrades in the sector in H1 FY2026.
Power	1.9	2.9	3.4	4.3	Project completion, track record of steady plant load factor (PLF) and strengthening

² Based on an analysis of a sample of around 1,600 non-financial entities

					of the parent's credit profile have resulted in upgrades in the sector.
Realty	30.5	4.3	4.5	4.6	Healthy sales and collections in the residential segment and improved leasing activity in the leasing segments have led to rating upgrades.
Hospitality	5.5	Upgrades: 23; Downgrades : NIL	Upgrades: 17; Downgrades : NIL	Upgrades: 18; Downgrades : NIL	The hospitality sector, which has been on a strong rebound trajectory over the last three years, continues to see improvement in key operating metrics, prompting several upgrades.
Chemicals & Petrochemicals	3.0	0.6	1.0	0.8	Rating downgrades were driven by moderation in the spreads amidst subdued global demand and overcapacity.
Transport Infrastructure	3.8	2.4	18.0	7.5	Alleviation of project risk and receipt of few initial annuities (for annuity road projects) and expectations of higher toll collections (for toll road projects) have resulted in upgrades in the sector.
Overall	2.8	2.1	2.0	2.9	

Notes

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

NOTE: The rating performance indicators cited in this document do not cover the structured finance ratings and do not include 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 read our previous releasee.

For further information, please contact:

Media Contacts:

Naznin Prodhani

Vice President Group - Head Media & Communications
ICRA Ltd.
Tel: + (91 124) 4545300,
Dir – 4545 860

Saheb Singh Chadda

Manager - Media & Communications
ICRA Ltd.
Mob: +91- 9833669052
Email: communications@icraindia.com

Media Contacts:Email: communications@icraindia.com

© Copyright, 2025 ICRA Limited. All Rights Reserved.

All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable. Although reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies, while publishing or otherwise disseminating other reports may have presented data, analyses and/or opinions that may be inconsistent with the data, analyses and/or opinions presented in this publication. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.

Disclaimer:

This Press Release is being transmitted to you for the sole purpose of dissemination through your newspaper/magazine/agency. The Press Release may be used by you in full or in part without changing the meaning or context thereof, but with due credit to ICRA Limited. However, ICRA Limited alone has the sole right of distribution of its Press Releases for consideration or otherwise through any media including, but not limited to, websites and portals.

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.

