



# INDIAN CORPORATE SECTOR

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**Earnings improvement to support  
stable credit metrics despite  
expected increase in debt over the  
next few quarters**

**FEBRUARY 2024**



## 1 Indebtedness Trends for Corporate India



## 2 Sectoral Indebtedness Trends



## 3 Trend in Coverage Indicators of India Inc.



## 4 Outlook





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*India Inc. witnessed some paring down of debt levels (excluding lease liabilities) in H1 FY2024, on the back of improved earnings and reduced working capital requirements as inflationary pressures eased.*

*Leverage and coverage indicators of Corporate India remain fairly stable, supported by the improvement in earnings, which is expected to sustain, going forward.*



- **The aggregate total debt (excluding lease liabilities) of 506 listed companies evaluated by ICRA (excluding financial sector entities) increased by 7% YoY as on March 31, 2023, and marginally pared down as of September 2023.** The increase in FY2023 was driven by higher working capital requirements, as well as increased investment activity by India Inc., considering the growth prospects. With inflationary pressures easing on earnings, India Inc. was able to marginally reduce borrowings in H1 FY2024.

- **The indebtedness trends have been divergent across sectors, with five sectors—ferrous and non-ferrous metals, telecom, power, and oil and gas accounting for ~66-67% of ICRA’s sample set companies’ debt.** Capacity expansion being undertaken in sectors such as ferrous and non-ferrous metals has driven debt addition in these sectors, while spectrum-related investments resulted in debt addition in the telecom sector. Debt movement in the oil and gas sector has been volatile, with working capital requirements changing in line with variations in crude prices, refining and marketing margins.

- **Despite the variations in debt levels, India Inc. reported largely stable credit metrics over the recent past.** The improvement in earnings on the back of recovery in demand across sectors arrested any sharp increase in gearing and Total Debt/OPBITDA levels of India Inc. during FY2023. However, interest cover of the sample weakened to 5.7 times during the year from 6.7 times in FY2022, following the repo rate hikes undertaken by the Monetary Policy Committee (MPC), which increased the overall borrowing costs. However, the same improved marginally to 6.6 times in H1 FY2024 as earnings expanded and debt levels moderated marginally.

- **India Inc. is expected to report stable credit metrics, going forward,** despite expectations of some debt addition by sectors like power, and ferrous and non-ferrous metals to support growth prospects. ICRA believes that stabilisation of inflationary pressures and a steady interest rate regime are likely to support India Inc.’s earnings and credit metrics, despite the debt addition. Nonetheless, the ability of India Inc. to navigate the uncertainty in the macroeconomic and geopolitical environments remains critical.



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