

BUSINESS

'Most firms availing moratorium were struggling before COVID-19'

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The companies were of sub-investment grade, Crisil says



Three out of four entities that availed of loan moratorium were rated in the sub-investment grade, Crisil Ratings said.

“Most of them were grappling with a slowing economy before the pandemic began. The severely curtailed business activity that followed in the first quarter of this fiscal had cramped cash flows, so the moratorium came as a big relief,” it said.

Only one out of four companies that availed of the moratorium is rated in the investment grade (rated CRISIL BBB- or higher). They took recourse to the moratorium to build a liquidity cushion for exigencies in the near term, the ratings agency added.

“Companies in sectors impacted the most by the pandemic have been the keenest to avail of the moratorium,” Subodh Rai, Senior Director, Crisil Ratings said. “While every sector has been affected by the dislocations stemming from the pandemic, majority of those with lower resilience have availed of the moratorium. Few among the more-resilient ones have done so,” he added.

Every fifth company in highly impacted sectors such as gems and jewellery, hotel, auto components, automobile dealers, power (power utilities, independent power producers and energy traders), packaging, and capital goods and components availed of the moratorium, Crisil said.

On the other hand, only one in 10 from less-impacted sectors such as pharmaceuticals, chemicals, FMCG, secondary steel and agriculture availed, Crisil added.

While the moratorium ended on Monday, demand outlook in most sectors remained muted. In particular, companies falling in the low resilience sector will continue to remain under stress over the next 2-3 quarters, the ratings agency said.

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