

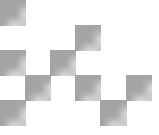
FY 2014-15

CRISIL Ratings Roundup



— Mid-size firms see biggest gain in credit quality: CRISIL —

Credit ratio of India Inc continued recovery in the second half, but broad rebound still a while away



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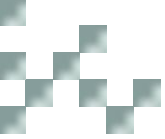
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Mid-size firms see biggest gain in credit quality: CRISIL

Credit ratio of India Inc continued recovery in the second half, but broad rebound still a while away



CRISIL RatingsRoundup



Executive Summary

CRISIL's analysis of rating actions during the second half of the just-concluded fiscal shows a significant improvement in the credit quality of mid-sized firms (operating revenues Rs.1-5 billion). Their credit ratio – upgrades to downgrades – stood at 2.26 for the six months to March 31, 2015, compared with 1.55 for small-sized (operating revenues under Rs.1 billion) and 2 times for large-sized firms (operating revenues over Rs.5 billion).

Mid-sized firms look better placed – many of them have improved business profiles and maintained profitability. They managed working capital better than smaller firms because of greater bargaining power. Also, they had healthier leverage compared with large-sized firms that witnessed rating actions. We expect this trend to continue in the near term.

Overall, India Inc's credit quality continued its slow recovery in 2014-15, with the credit ratio coming in at 1.75 in the second half -- up marginally from 1.64 in the first half. When upgrades are more than downgrades, the credit ratio will be greater than 1.

There were 466 downgrades in the second half of which almost 60% were attributable to weak liquidity. Investment-linked sectors such as capital goods, construction, engineering, steel and real estate continued to log the highest downgrade rates.

Upgrades totalled 816 with almost two-thirds driven by business-related factors such as scaling-up of operations, better demand outlook and improved capacity utilisation. Export-linked sectors and non-discretionary consumer segments such as agricultural products, textiles and pharmaceuticals continued to see the highest upgrade rates.

However, a pervasive improvement in credit quality remains elusive because the value of debt seeing downgrades is far more than those seeing upgrades. This is reflected in the ratio of debt of firms upgraded to that of firms downgraded at 0.72 times. This proportion is even weaker for large-sized firms at 0.45 times. CRISIL believes the heavy burden of debt will continue to constrain the ability of large firms to improve their credit profiles. A chunk of their debt was taken for projects that haven't been completed yet, or are facing demand slack after completion.

Although credit ratio is showing an upward trajectory, the enormous debt on the balance-sheets of highly leveraged large-sized firm – most of which have linkages to the infrastructure sector – continues to stall any significant improvement in the credit profile. This will also thwart a significant improvement in the asset quality of banks in the near term. The pace and extent of recovery will depend on successful deleveraging of the balance-sheets of these indebted firms.

CRISIL expects the credit ratio to remain over 1 in the medium term, which means upgrades will be more than downgrades. However, broad-based recovery will hinge on a significant improvement in investment demand and the government's ability to continue to push economic reforms. Deleveraging of balance sheets by indebted firms, inflation, and the impact of monsoon remain key monitorables.

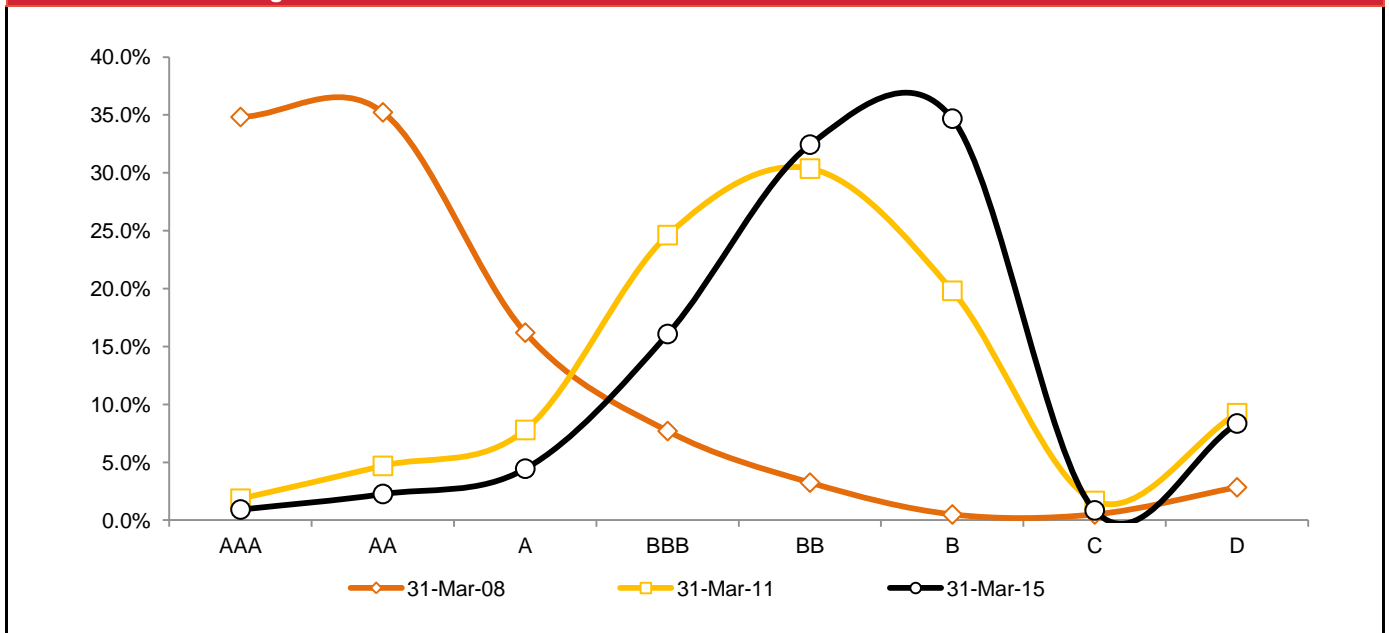
About CRISIL's Ratings Round-Up

CRISIL's Ratings Round-Up is a semi-annual publication that analyses CRISIL's rating actions and traces linkages between these actions and the underlying economic trends and business factors. A credit rating is an opinion on the likelihood of timely debt repayment; therefore, an analysis of rating actions in a large and diverse portfolio of rated firms is an apt indicator of economic prospects. The current issue analyses CRISIL's rating actions in the six months through March 2015.

CRISIL's rating distribution: Stable, with a portfolio of around 13,000 outstanding ratings

In recent years, CRISIL's rated portfolio has been stable, at around 13,000 outstanding ratings, more than three-fourths of which are rated 'CRISIL BB' or lower. Consequently, the median rating stayed put at the 'CRISIL BB' category over the past four years, down from 'CRISIL AA' as on March 31, 2008 (refer to Chart 1).

Chart 1: CRISIL's rating distribution



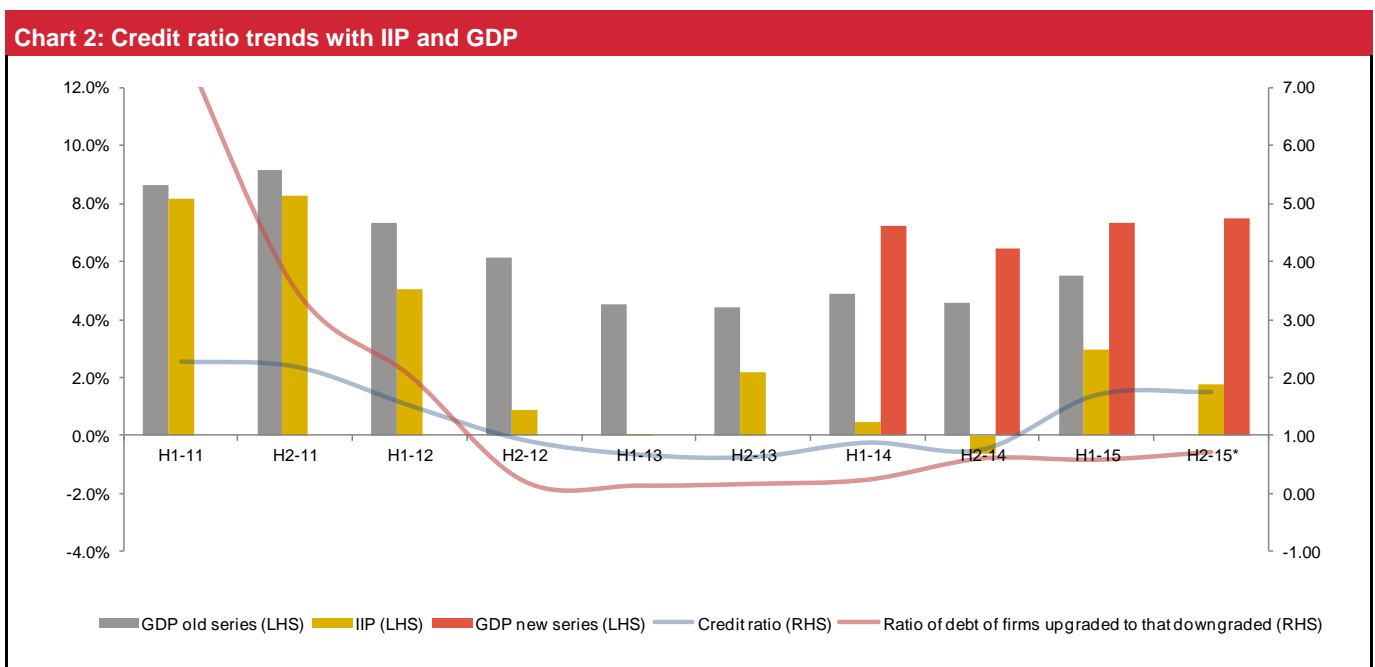
Source: CRISIL

Credit ratio healthy, but does not point to systemic buoyancy

With a credit ratio of 1.75 times in H2 2014-15, upgrades continued to outnumber downgrades for a second consecutive half, after being below 1 time since H2 2011-12. The intervening three years were marked by slow growth as reflected in stagnant gross domestic product (GDP) and anaemic index of industrial production (IIP); hence, CRISIL's credit ratio exhibits a correlation with economic indicators. With improvement in IIP and GDP growth in 2014-15, CRISIL's credit ratio soared well above 1 time.

However, CRISIL would like to caution that a credit ratio of more than 1 time should not be construed as a sign of buoyancy in systemic credit quality. For that to happen, credit ratio as well as the ratio of the debt of firms upgraded to that of those downgraded should be above 1 time.

As evident from chart 2, the ratio of the debt of firms upgraded to that of those downgraded continues to trail the credit ratio. This indicates that recovery as of now is restricted to firms with lower indebtedness. Hence, CRISIL believes that improvement in credit quality, in the near term, will be gradual and restricted to firms with low leverage and healthy profitability.



Note – CSO recently released new series of GDP growth rates. CRISIL has provided the growth rates in the chart above as per the old as well as new GDP series (*from when it is available*) for reference.

* IIP growth rates are for October 2014 to January 2015; GDP growth rate estimate derived from 2014-15 forecast

(For a complete list of rating actions in H2 2014-15, refer to Annexures II-b and II-c under 6.2.2 of 'Regulatory Disclosures' on the CRISIL website)

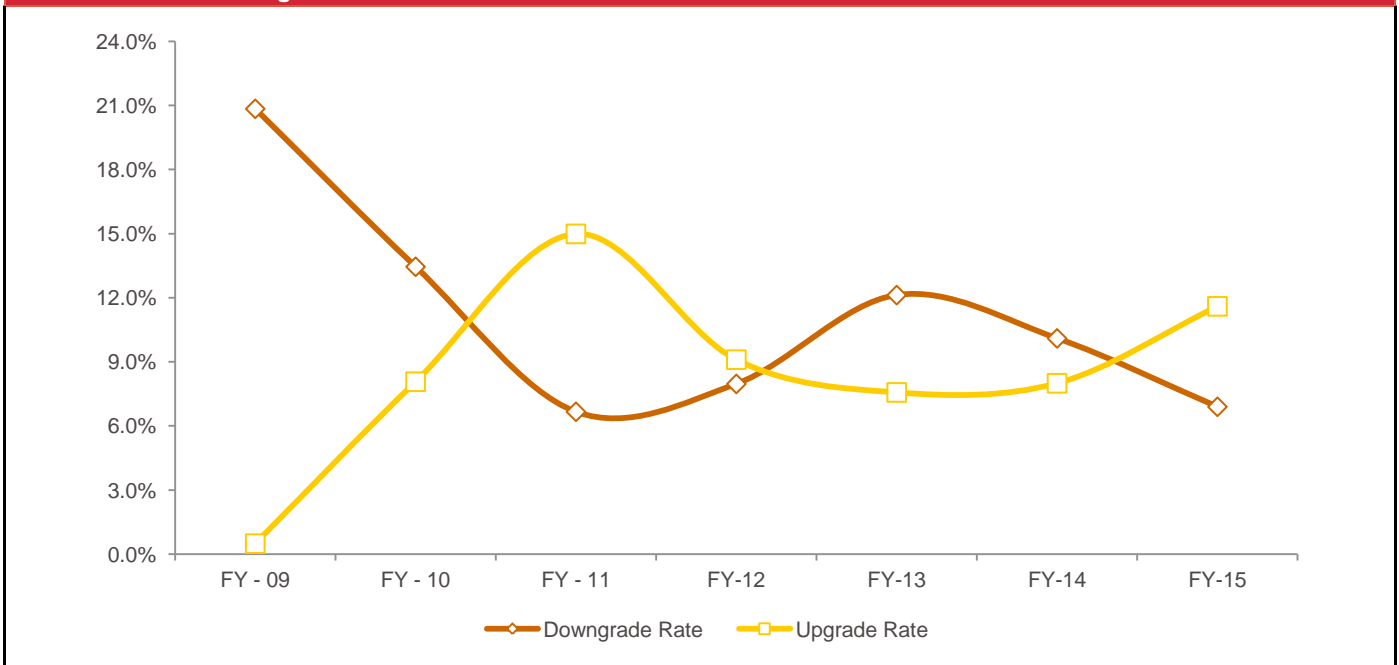
Source: CRISIL

Upgrade rate on an upward trajectory, while downgrade rate continues to plummet

CRISIL upgraded ratings on 1518 firms in 2014-15 and downgraded ratings on 902 firms. The upgrade rate increased to 11.6 per cent in 2014-15 from 8.0 per cent in 2013-14, and to 12.4 per cent in H2 of 2014-15 from 11.4 per cent in H1. The downgrade rate declined significantly to 6.9 per cent in 2014-15 from 10.1 per cent in 2013-14, but increased marginally to 7.1 per cent in H2 of 2014-15 from 6.9 per cent in H1. Around three-fourths of the downgrades in 2014-15 were from 'CRISIL BB' and lower rating categories.

Upgrades are expected to continue to outnumber downgrades in the near term on the back of pickup in consumption demand. However, the improvement will not be broad-based unless investment demand picks up significantly as infrastructure-related sectors, such as construction, steel, and real estate, remain beset by low capacity utilisation, sluggish demand, stretched liquidity, and high leverage. CRISIL believes that the steps taken by the government to revive investment demand will boost the prospects of investment-linked sectors over the medium term.

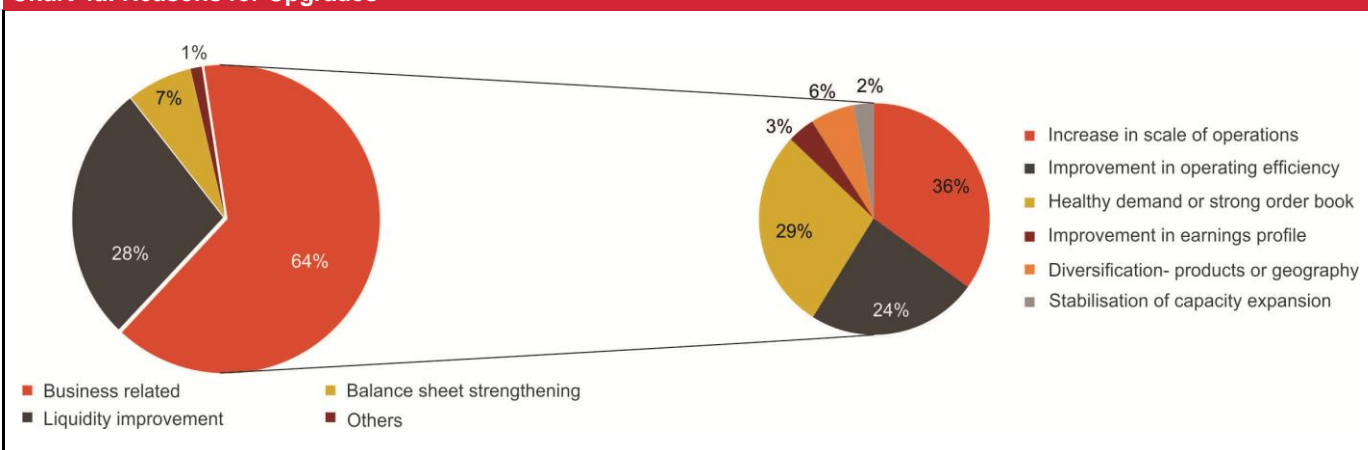
Chart 3: Trends in rating actions



Improvement in business related factors pulled up ratings; weak liquidity continued to beset credit quality in H2 of 2014-15

Almost two-thirds of the total upgrades in H2 of 2014-15 were primarily on account of business-related factors. Amongst business related reasons, demand related factors like ramp-up of operations or strong order book drove almost two thirds of the upgrades, while efficiency related factors such as improved capacity utilisation accounted for another quarter. Further, improvement in liquidity profile led to about 28 per cent of the upgrades, and balance sheet strength for 7 per cent.

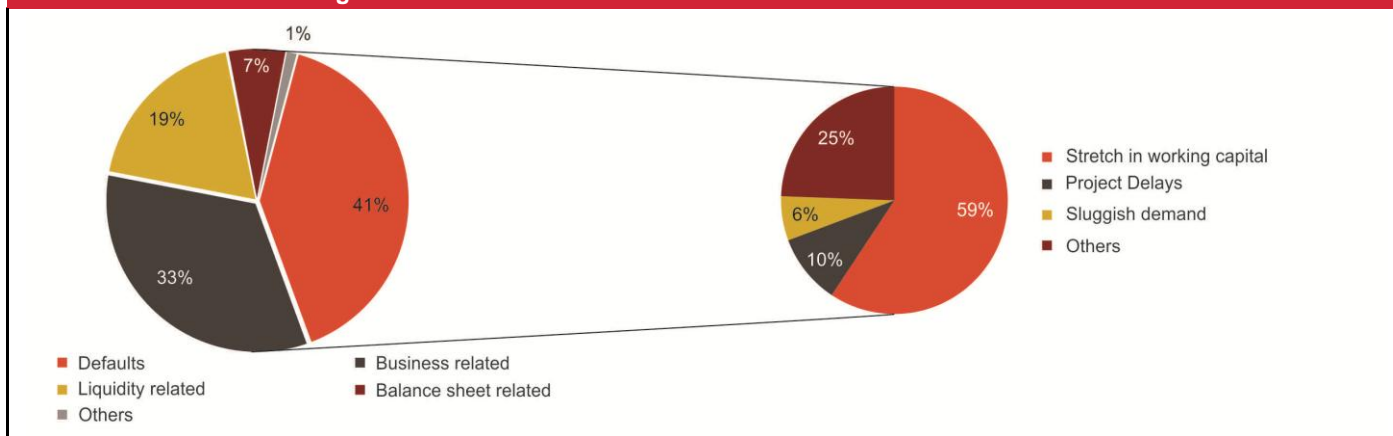
Chart 4a: Reasons for Upgrades



Source: CRISIL

On the other hand, almost 60 per cent of the downgrades were attributable to weak liquidity. In fact, 40 per cent of the total downgrades were to the default category this fiscal, and were primarily because of stretch in working capital cycle, project delays, or sluggish demand.

Chart 4b: Reasons for downgrades



Source: CRISIL

Mid-size firms outshine their counterparts

CRISIL has analysed the rating actions on firms during H2 of 2014-15, based on operating income (an indicator of scale of operations). Size turned out to be a strong differentiator of credit quality. Mid-sized firms (operating income between Rs.1 billion and Rs.5 billion), with a credit ratio of 2.26 times, outperformed small and large firms.

Table 1: Analysis of credit quality trends based on operating income

Size of the firms	Credit ratio
Small firms	1.55
Mid-sized firms	2.26
Large firms	2.00

Source: CRISIL

Also, for mid-sized firms, the ratio of debt of firms upgraded to that of firms downgraded was over 2 times, while it was less than half and 1.1 times for large and small firms, respectively.

Table 2: Analysis of credit quality trends based on operating income

Size of the firms	Ratio of debt of firms upgraded to that of firms downgraded
Small firms	1.10
Mid-sized firms	2.09
Large firms	0.45

Source: CRISIL

The healthy performance of mid-sized firms in comparison to small firms can be attributed to more efficient working capital management which stems from greater bargaining power. On the other hand, highly leveraged large firms were paralysed by the large quantum of debt on their balance sheets. Most of these firms have linkages to the infrastructure sector, which continues to be beset by subdued investment demand. A large proportion of this debt has been contracted for projects that haven't been completed yet, or are facing demand slack after completion. CRISIL believes that any significant improvement in the asset quality of banks in the near term will be hampered unless these vulnerable firms are able to successfully deleverage their balance-sheets.

Table 3: Analysis of credit quality based on size and leverage

Size of the firms	Low leverage (Debt-EBITDA < 2.5 times)	Medium leverage (Debt/ EBITDA between 2.5 times and 4.0 times)	High leverage (Debt/ EBITDA > 4.0 times)
Small firms	3.1	2.8	0.7
Mid-sized firms	4.8	5.7	1.1
Large firms	4.4	2.6	0.3

Numbers in the table indicate the ratio of debt of firms upgraded to that of firms downgraded for the segments

In line with the trend observed in H1 of 2014-15, profitability was a key differentiator for credit quality in H2 of 2014-15. Firms with RoCE exceeding 15 per cent recorded a credit ratio of 3.85 times. Firms with RoCE below 10 per cent recorded a credit ratio of less than 1 time.

Table 4: Analysis of credit quality trends based on RoCE

RoCE	Credit ratio
Greater than 15%	3.85
Between 10%-15%	1.70
Lower than 10%	0.91

Source: CRISIL

Liquidity, which stems from the ability of a firm to manage its working capital cycle, also continues to be a prominent distinguisher of credit quality. Firms with long working capital cycles or gross current assets (GCAs) above 240 days saw fewer upgrades than downgrades, while those with prudent working capital management (GCAs below 120 days) saw almost five upgrades for every two downgrades.

Table 5: Analysis of credit quality trends based on GCAs

GCA days	Credit ratio
Lower than 120	2.34
Between 120-240	1.89
Greater than 240	0.86

Source: CRISIL

Credit growth remains subdued

Year-on-year bank credit growth declined to 10.2 per cent in March 2015 from 14.6 per cent in March 2014. This decline can be attributed primarily to risk aversion by banks on the back of asset quality concerns of public sector banks, limiting their ability to lend aggressively.

With moderation in inflation rates, the Reserve Bank of India (RBI) reduced the policy rate by 50 basis points (bps) in H2 2014-15, taking the repo rate to 7.5 per cent. However, the transmission of lower policy rates to lower lending rates - eventually translating to a pickup in investment demand - is essential for a buoyant recovery.

Table 6: Trends in industrial activity and fund mobilisation

Quarter ended	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15
Bank Credit Growth (%)	16.5	15.2	15.5	13.7	17.8	14.5	14.6	13.3	9.7	10.5	10.2 [®]
Repo rate (%)	8.00	8.00	7.50	7.25	7.50	7.75	8.00	8.00	8.00	7.75	7.50
Credit spreads (%) #	0.9	0.6	0.7	0.6	0.9	0.5	0.6	0.4	0.4	0.4	0.4
ECB mobilised (Billion USD)	6.2	6.8	10.9	5.6	9.4	8.7	9.6	6.5	7.4	6.9	2.6 ^{@@}
Equity Mobilised (Rs. Billion)	171.3	129.7	142.3	335.1	120.1	249.06	400.3	210.5	268.8	117.5	50.5 ^{@@}
IIP Growth (% YoY)	0.4	2.1	2.2	-1.0	1.9	-0.8	-0.5	4.6	1.3	1.5	NA
GDP Growth (% YoY) [^]	NA	NA	NA	7.0	7.5	6.4	6.5	6.5	8.2	7.5	7.5

#AAA spread over 10 year G-Sec

® Updated as on March 6, 2015

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[^] As per new series of GDP growth released by CSO

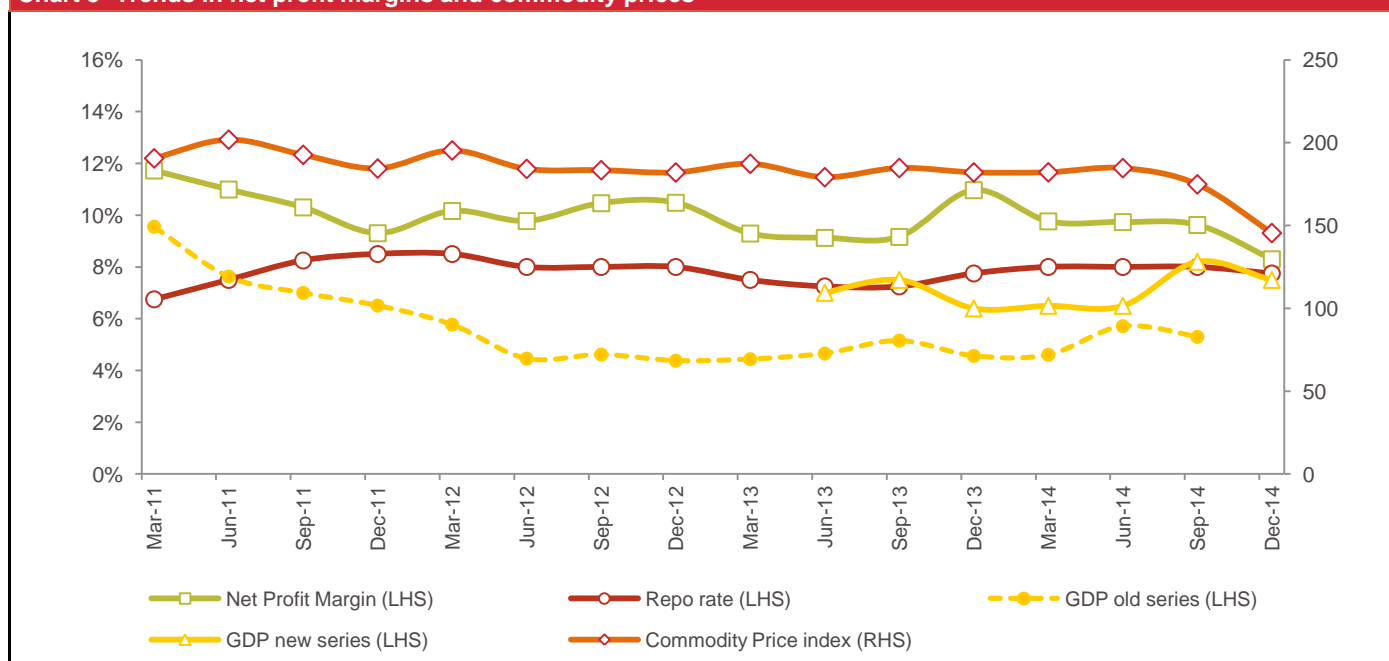
Source: CRISIL

Inventory losses impacted corporate profitability in Q3 of 2014-15

CRISIL's analysis of the aggregate financial performance of 408¹ firms listed on S&P CNX 500 indicates that the net profit margin (NPM) declined in the third quarter (Q3) of 2014-15 to 8.3² per cent. The dip is primarily attributable to inventory losses borne by companies because of falling commodity prices. Sub-normal monsoon and weak performance of investment-linked sectors also contributed to the fall in NPM.

CRISIL believes that the NPM of Indian companies will improve marginally over the medium term, supported by favourable commodity prices, improved domestic demand, and a mild upswing in domestic investments. However, NPMs will be constrained by subdued global demand.

Chart 5- Trends in net profit margins and commodity prices

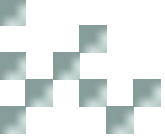


Note – CSO recently released new series of GDP growth rates. CRISIL has provided the growth rates in the chart above as per the old as well as new GDP series (from when it is available) for reference.

Source: CRISIL

¹ These listed companies have reported their results for the quarter ended December 31, 2014, and have remained in the S&P CNX 500 for the past 16 quarters. Furthermore, the three oil marketing companies (OMCs) have been excluded from this sample, because their reported

² The NPM has been calculated after adjusting for any extraordinary gains/losses by these firms.



Exports dip, credit quality pressures to be offset by domestic demand

While prominent global economies are expected to register positive growth, expectations are restrained by a variety of factors – geopolitical risks, slow pickup in trade, and decline in China’s growth. This portends subdued export demand for a few consumer-facing sectors such as gems and jewellery, and electronic goods. Additionally, petroleum product exports, which constitute a fifth of India’s export pie, are expected to witness low realisations because of low oil prices.

However, feeble growth in these sectors will be bulwarked by strong export performance by IT services, pharmaceuticals, and engineering goods, sectors in which India has traditionally maintained competitiveness.

Table 7: Trends in GDP growth rates of Europe, UK, and USA

Countries	2013	2014(P)	2015(P)	2016(P)
Euro zone	(0.4)	0.9	1.5	1.7
UK	1.7	2.6	2.8	2.6
US	2.2	2.4	3.0	2.8

Source: Standard & Poor’s

P: Projections

Performance of banking sector to remain under pressure in 2015-16

CRISIL believes that the pressure on asset quality and profitability of Indian banks will persist well into 2015-16. Improvement in performance is expected only in the latter half of the year. Growth in advances is likely to pick up only marginally in 2015-16 from an estimated 11 per cent in 2014-15 given the expectation of low level of capital expenditure by the private sector over the medium term.

The interplay of several factors will determine the asset quality of banks. The improvement in macroeconomic environment and pickup in industrial and infrastructure activity will help reduce stress on asset quality in 2015-16. Furthermore, regulatory initiatives such as allowing banks to lend longer-term loans to existing and new projects in core industries such as infrastructure, with periodic refinancing, are expected to reduce pressure on borrowers' cash flows in these industries.

However, the withdrawal of regulatory forbearance on standard loans restructuring from April 1, 2015, could result in higher slippages in the near term. Also, the performance of the existing stock of restructured standard assets as they come out of their moratorium period on repayment will remain a key factor influencing asset quality in 2015-16.

The gross non-performing assets (NPAs) and the overall weak assets³, estimated at 4.4 per cent and 6.0 per cent, respectively, by March 31, 2015, are not likely to improve materially in 2015-16.

Table 8: Weak assets in banking sector

Year ended	Mar-12	Mar-13	Mar-14	Mar-15
Gross NPA (as a percentage of gross advances)	2.9%	3.3%	3.9%	4.4%
RSA (as a percentage of gross advances)	4.8%	5.1%	5.2%	5.0%
RSA ex-SPUs (as a percentage of gross advances)	3.4%	3.5%	4.0%	3.9%
Weak Assets(as a percentage of gross advances)	3.9%	4.3%	5.3%	6.0%
Gross Advances (Rs. Billion)	49,022	59,880	68,800	77,000

Profitability of the banking system will remain subdued with return on assets (RoA) expected to remain below 1 per cent in 2015-16 given the continued pressure on interest margins and provisioning costs.

Given the weakening in asset quality and continued pressure on profitability, capital position of Indian banks has moderated in 2014-15. CRISIL believes that banks, mainly public sector banks, will need to step up their capital raising efforts (both equity and non-equity Tier I) to support credit growth and meet Basel III capital norms over the medium term.

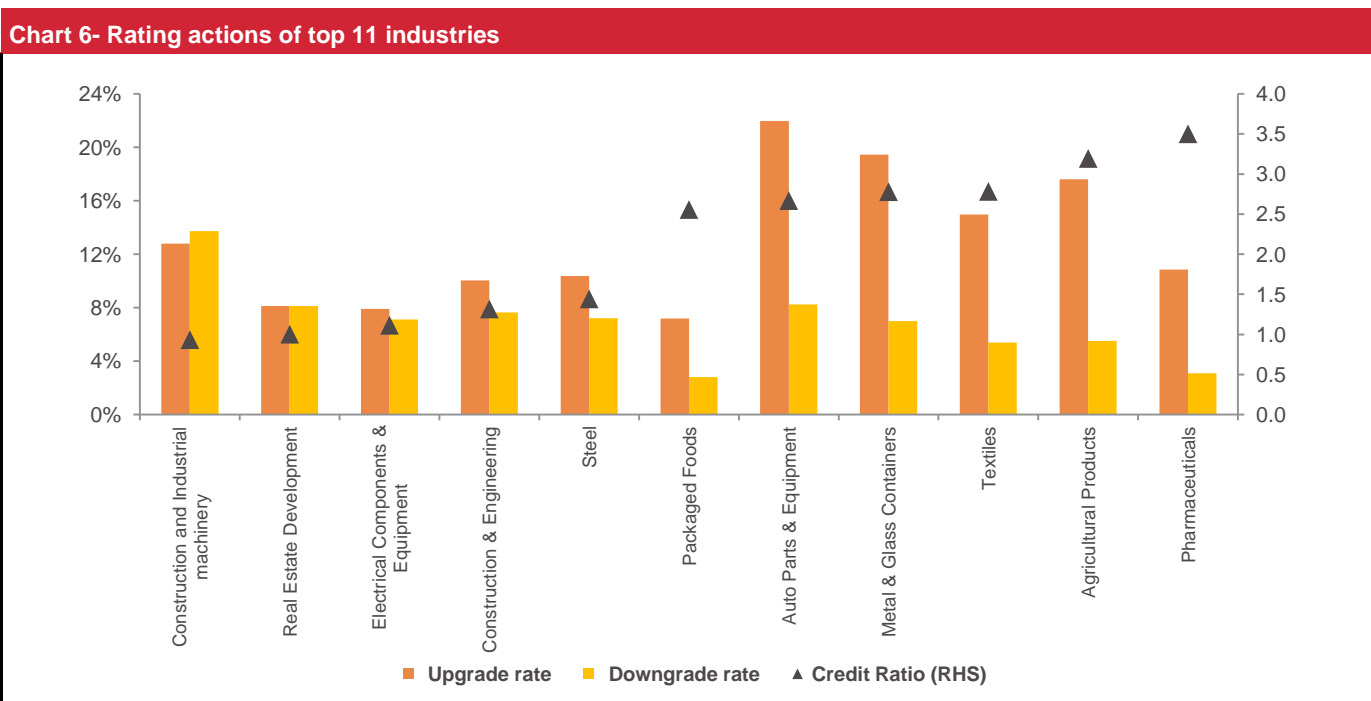
³ According to CRISIL's definition, weak assets include gross NPAs + 30 per cent of restructured standard assets (excluding those of state power utilities) + 75 per cent of security receipts

Outlook

India Inc's credit quality will continue on a slow recovery path in 2015-16. Although the credit ratio shows an upward trend and is likely to remain over 1 time over the medium term, the return to strength for systemic credit quality is a long way away. CRISIL believes that the improvement in credit quality will be gradual and restricted to firms with low leverage and healthy profitability in the near term. Though policy rate cuts are yet to transmit to lower lending rates, profitability of Indian corporates may improve in 2015-16 on the back of improvement in private consumption, favourable commodity prices, and a mild upswing in domestic investments. However, Indian exports remain exposed to demand slowdown from the Eurozone.

CRISIL believes that a significant improvement in investment demand and a sustained push for reforms by the central government are imperative for a sustainable improvement in systemic credit quality. The deleveraging of balance sheets by indebted firms, inflation, and the impact of monsoon remain key monitorables during 2015-16.

Key reasons for rating actions and outlook for key industries



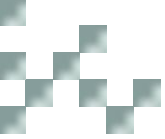
Source: CRISIL

Key reasons for rating action and credit quality outlook for key sectors

Industry	Key Reasons for Rating action in H2 2014-15	Outlook for the medium term
Pharmaceuticals	<p>Most of the upgrades resulted from an increase in scale of operations, supported by strong domestic and export demand.</p> <p>This sector witnessed only four downgrades, three of which were to the default category. All the downgrades were from low rating categories.</p>	<p>CRISIL believes that the Indian pharmaceuticals industry has healthy demand prospects in the export and domestic markets. Patent expirations and reduced healthcare spends across developed markets could enhance the market penetration of generics in regulated markets, thereby driving export revenue. Growth in the domestic market may be driven by increased per capita expenditure for healthcare. Because of regulatory control by FDA, compliance costs and investments for upgrading facilities and fortifying FDA-compliant infrastructure and processes are increasing. Additionally, pricing pressure and increasing environmental compliance are impacting margins. Nevertheless, strong demand prospects are expected to help support credit quality over the medium term.</p>
Agricultural products	<p>About three-fourths of upgrades resulted from increase in scale of operations, healthy demand, enhanced operating efficiency, and improved liquidity.</p> <p>The downgrades in the sector were liquidity-driven: pressure on receivables/inventory leading to stretching of working capital cycle.</p>	<p>India will be relegated to the second position in the global rice export industry. India is expected to export 3.5 million tonnes of basmati rice in 2014-15, down 10 per cent from the previous year. Import ban by Iran (accounting for one-third of Indian's total basmati export) is a key reason for the decline. Non-basmati rice exports are also expected to decline by 26 per cent in 2014-15, because of competition from Thai rice variety.</p> <p>Paddy prices declined sharply in 2014-15 (after September 2014) despite minimum support prices being slightly higher than those in 2013-14. Decline in export volumes will be partially offset by procurement of paddy at lower price. Therefore, the credit risk profiles of basmati rice exporters will be contingent on removal of the import ban by Iran. For non-basmati rice exporters, price competition from Thailand will influence profitability.</p>
Textiles	<p>Upgrades resulted from enhanced scale of operations and improved operating efficiency with healthy domestic demand. A few upgrades were led by improved liquidity driven by accretion to reserves.</p>	<p>Ready-made garment (RMG) manufacturers are expected to record steady revenue growth over the medium term, driven by healthy demand in the domestic market. However, export demand is expected to remain muted and RMG exporters will</p>

Industry	Key Reasons for Rating action in H2 2014-15	Outlook for the medium term
	<p>More than half the downgrades in the sector were to the default category, driven by weak liquidity and project delays.</p>	<p>continue to face intense competition from Vietnam and Bangladesh. Profitability is expected to remain stable because of steady raw material prices, lending stability to credit risk profiles.</p> <p>Cotton yarn demand is expected to remain muted in 2015-16 because of weak export demand driven by China's import substitution cotton policy. However, domestic cotton yarn demand is expected to grow moderately, supported by stability in raw material prices, and will partly offset the decline in export demand. Operating profitability is likely to remain stable with prudent inventory holding policies. CRISIL expects spinner's credit risk profiles to remain stable over the medium term.</p>
Automotive components	<p>Improved capacity utilisation because of better demand from original equipment manufacturers (OEMs) and export customers, combined with prudent capital spending, resulting in stable financial risk profiles drove upgrades in this sector.</p> <p>Continued weak demand from specific customer segments such as light commercial vehicles (LCVs) and tractors, the resultant profitability pressures, and sub-par liquidity were key drivers for downgrades in the sector.</p>	<p>Following a modest recovery in 2014-15, CRISIL believes that automotive component production will witness a healthy growth of 11 to 13 per cent in 2015-16. The growth will be driven by improving demand from OEMs (particularly from the passenger vehicle and medium and heavy commercial vehicle segments); also, growth in export demand is expected to remain strong (at around 15 per cent, supported by improving demand from the US and the EU zone). After market demand is expected to be the lowest among the three customer segments (at around 9 per cent) because of lower replacement intensity in vehicles and continued competition from cheaper imports.</p> <p>Profitability margins of automotive component players could improve because of availability of raw materials at low cost and improved capacity utilisation in 2015-16. Combined with continued prudent capital spending, this will benefit their credit risk profiles.</p>
Packaged foods	<p>Around half of the upgrades were led by improved scale of operations, with healthy demand. A few upgrades resulted from an increase in operating efficiency.</p> <p>The few downgrades in the sector were driven by weak liquidity.</p>	<p>India's packaged meat exports could maintain their growth trajectory over the medium term, with an expanding dairy herd, and improved operating efficiency following the establishment of integrated modern plants.</p>

Industry	Key Reasons for Rating action in H2 2014-15	Outlook for the medium term
Steel	<p>The primary reason for upgrades in the sector was ramp-up of operations and improved capacity utilization. Resultant healthy accruals led to deleveraging of balance sheets and improvement in liquidity.</p> <p>Downgrades resulted from demand pressures faced by small players, leading to low capacity utilisation and weak profitability. Players also faced liquidity pressures because of stretched receivables.</p>	<p>Growth outlook for the steel sector remains muted, driven by subdued global demand and China's economic transition. Domestic volumes may pick up only marginally because of nascent stage of recovery of the automobiles, construction, and consumer durable sectors. Large overcapacity will continue to suppress domestic operating rates and realisations for players. Pricing pressure and intense competition may bring down operating margins of steel players over the medium term.</p> <p>Mid-sized players, which typically manufacture long steel, can witness stronger headwinds because of intense competition from larger peers, weak demand, and high input costs (these players use non-coking coal, prices of which will stay steady in the near term).</p>
Construction	<p>More than half the upgrades resulted from scale-up of operations, along with selective and prudent project tendering (thereby improving business risk profiles), and operational efficiencies. An eighth of the upgrades were from the default category.</p> <p>Downgrades were driven by continued pressure on working capital requirements, marked by stretched receivables and large inventory, because of sluggish demand.</p>	<p>Supportive government stance indicated through the Union Budget and funding initiatives are expected to revive the sector, albeit moderately. Roads/railways along with international and urban infrastructure segments may witness better growth; however, heavyweights such as power, and oil and gas will await the turn of the investment cycle.</p> <p>With muted interest of private sector, increased public investment opportunities thrown open by government can potentially provide construction opportunity to engineering, procurement, and construction (EPC) players. These include hybrid road models, increased outlay for railways, corporatisation of ports, and setting up of a specialised infrastructure fund.</p> <p>Profitability is expected to remain subdued because of high gearing, delayed project execution, aggressive bidding in the past, and long working capital cycle. Reduction in competition and improvement in project execution, along with expected softening of interest rates, will support profitability margins to some extent. Correction of over-leveraged balance-sheets is also a critical credit driver for firms in this space.</p>



CRISIL RatingsRoundup

Industry	Key Reasons for Rating action in H2 2014-15	Outlook for the medium term
Real estate	<p>Firms that were upgraded had strong order books or improved financial risk profiles because of healthy accruals.</p> <p>Downgrades in the sector were attributable to sluggish demand and weak liquidity. A majority of downgrades in the real estate sector were to the default category.</p>	<p>Demand in the real estate sector is expected to improve only marginally despite higher GDP growth and interest rate cuts. High capital values and the inventory overhang of preceding years will constrain demand for new projects. The capital values are unlikely to increase materially as real estate activity will pick up slowly. The lease rentals in commercial and retail real estate segments will remain stable because of oversupply.</p> <p>The sector will continue to face credit quality pressures as interest and principal payments are expected to remain high in 2015-16.</p> <p>Nevertheless, the sector will continue to attract funding from traditional sources (banks and non-banking finance companies [NBFCs]). Mobilisation through alternate sources such as non-convertible debentures (NCDs) remained robust in 2014-15. Momentum in commercial mortgage backed securities (CMBS) and favourable changes in regulations for Real Estate Investment Trusts (REIT) are also expected to enhance access to alternate sources of funds for completed commercial properties.</p>

About CRISIL Limited

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