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Market Watch

Top rated companies want to defer loan repayments

BY [MAYUR SHETTY](#), TNN | UPDATED: APR 27, 2020, 10.34 AM IST

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MUMBAI: In an indicator of the cash flow problems faced by industry, a host of blue chips, a couple of triple-A-rated companies and those belonging to top business groups have sought relief on loan repayment. The fact that these companies have availed an RBI-permitted moratorium, where borrowers have to repay all dues in June 2020, is seen as an indication that they are not generating enough cash during the [lockdown](#).

Ratings agency [ICRA](#) has published a list of 328 companies that have availed or sought a payment relief from lenders or investors and where approval was received either after the due date or is pending to be received. The companies that have sought to defer repayment include triple-A-rated companies like ONGC's subsidiaries [MRPL](#) and [ONGC Petro Additions](#).

Others include Tata Group companies like [Tata Power](#) and Tata Power Renewable Energy, and a joint venture Tata GVK Hotels. [JSW Steel](#), Vedanta's [Bharat Aluminium Company](#), [Hindustan Copper](#), [Piramal Enterprises](#) and Hadia Petrochemicals are other double-A-rated companies.

"Missed payments by these entities, even in the case of pending formal approval from the lending institutions before the original due date, is not considered an instance of default. Non-recognition of default in these cases is as per the guidance provided by the aforesaid Sebi circular. However, it may be noted that for the entities that are yet to receive approval for the moratorium from their lending institutions, if the same is not received in due course, ICRA would review its stance on default recognition," ICRA said.

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Most of the companies are rated between A and BBB. Future Corporate Resources, Oswal Overseas, Jain Farm Fresh Foods and Urban Edge Hotels are the four 'C' (sub-investment) rated companies. Bankers say that in many companies, the top line has vanished for April 2020 because of the extended lockdown.

In some businesses like airlines and hotels, adequate cash flows to meet repayment obligations are not seen forthcoming. This would mean that if there is no loan-restructuring scheme in place by June 2020, many companies will find it difficult to meet their repayment obligations. If RBI permits restructuring, without having to classify the loan as default, banks would be able to bring down the cost of funds for existing borrowers.

“Given the extension of the lockdown in India, we expect asset-quality risks to rise further, especially in select sectors and for SMEs. Based partly on UBS’ non-performing loan (NPL) analysis of credit-rating downgrades, we believe banks’ BBB-rated portfolios could also face NPL headwinds. In our downside scenario, we expect significant de-rating risks due to increased credit quality risks,” said UBS in a report on Indian banks.

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