

How the pandemic turned India Inc. more resilient



PREMIUM

Photo: Bloomberg

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India Inc has weathered the pandemic well but the ongoing war in Europe could cause some blips



Policymakers and India Inc responded with restraint to the emergence of a third wave of covid infections fuelled by the virus's Omicron variant. The steep learning curve afforded by the two-year pandemic has seen us move from the 'world's most stringent' restrictions to a more pragmatic 'living with the virus' approach. Hard curbs seem passé, in large part due to the ring-fencing provided by that staggering government achievement on vaccination: over 1.8 billion jabs in over a year.

However, Russia's invasion of Ukraine and the punitive sanctions imposed on the former by the US and European nations has the potential to impact India Inc in two ways. One, higher commodity prices can squeeze the margins of downstream sectors, in case they cannot pass on input costs. And two, its impact on trade activity in that region could affect growth for sectors dependent on those markets. Still, a broad-based improvement in credit quality has been observed despite the intensity of covid's second wave.

Crisil Ratings' credit ratio (upgrades versus downgrades) rose to 2.96 times in the first half of 2021-22 from 1.33 times in the preceding half. This trend accelerated in the second half of the current fiscal year.