

A DEEP DIVE INTO INDIA'S CREDIT LANDSCAPE

In the latest episode of the "Simple Hai!" podcast, hosted by Vivek Law, listeners gained profound insights into India's credit profile and the personal journey of a highly successful woman in the financial services sector, Revati Kasture. As the Executive Director of CareEdge Ratings, Kasture offered a comprehensive perspective on the nation's economic health, individual spending habits, and the intricacies of the credit rating industry, alongside sharing invaluable career advice.

Economic Health

Kasture painted a positive picture of India's economy and its corporate sector ("India Inc"), describing their health as "very good". This improved standing is attributed to several key developments:

- The Insolvency and Bankruptcy Code process, initiated about four to five years ago, has been instrumental in the effective resolution of assets.
- A significant improvement in credit discipline across the country.
- Corporate balance sheets are considerably stronger than they were previously.
- Notably, for industrial companies among the top 1,000 by market capitalisation (excluding banking firms), the debt-to-equity ratio has consistently declined over the past eight years. This signifies that companies are increasingly relying on their own capital rather than external loans, indicating stronger financial self-reliance and improved repayment capabilities.

The "Buy Now, Pay Later" Conundrum

While the corporate sector shows strong credit discipline, Kasture voiced concerns about the "dis-

turbing fact" of individual borrowing habits, particularly the rise of "buy now, pay later" schemes and high-interest personal loans. Many individuals now manage multiple cards and EMIs, often focusing solely on the EMI amount without fully grasping the underlying high-interest rates, sometimes as high as 24%. This trend reflects a shift in attitude where people desire immediate consumption of benefits before they can truly afford them. The Reserve Bank of India shares these concerns, having increased the risk weightage on such unsecured loans a couple of years ago. While the performance of personal loans has deteriorated, it's not seen as an "alarm" for the banking or NBFC industry. However, the microfinance portfolio as "more problematic," given these loans are extended to vulnerable individuals at the "bottom of the pyramid," making them highly susceptible to financial distress from any adverse event. She contrasted this with the enhanced credit discipline among corporates, who now fear default due to the IBC, which has strengthened the banking system.

Demystifying Credit Ratings

Kasture provided a detailed explanation of the credit rating industry, which commenced in India around 1987-88. Credit rating agencies assess the "ability and willingness" of companies to repay their debts on the due date.

It's crucial to note that they do not rate individuals; this task falls to separate credit information com-

panies. The assessment process goes beyond historical data, projecting a company's future performance and potential trajectory.

Ratings are assigned on a standardised scale from AAA (best) to D (default), comprising 20 categories including plus/minus notations for grades below AAA. This deep assessment involves comprehensive research that encompasses:

- The overall economic climate, including GDP growth, the health of the banking system, and the regulatory environment.
- The specific industry in which the company operates, noting whether it's regulated or unregulated, and its domestic or export focus.
- The company's competitive position, growth pros-

pects, and various other facets that contribute to its performance.

A Journey Shaped by Education

Kasture's own career path underscores her belief in education as the sole true wealth. Born into a middle-class Maharashtrian family, she chose to pursue commerce in school despite achieving high marks that would have allowed her to opt for the more traditionally respected science streams. Her decision, against the advice of relatives who encouraged STEM fields, was supported by her parents. Her father, a banker, served as an early inspiration for her interest in financial services.

The Myth of Work-Life Balance

Kasture emphatically stated that "work-life balance is a myth". She views it as an "attitude" that necessitates prioritisation at different life stages. The balance will naturally "tilt" between family and work responsibilities. Her key advice includes the need to "garner your support system and ask for help," along with the power of "anticipation," which she equated to "intelligence" in planning. She exemplified this during her sabbatical for childcare. To avoid feeling "out of touch" with the industry, she took up roles as a visiting faculty at management institutions to teach.

Art and Financial Literacy

Outside her professional life, Kasture finds solace and self-exploration in painting, particularly Kutchhi art of Lippan, which brings her "peace". She concluded by passionately advocating for financial literacy, and urged for financial literacy to be integrated into school curricula from a young age.



Revati Kasture, Executive Director, CareEdge Ratings (L) and Vivek Law, Co-Founder & Editor in Chief, SimpleHai!



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