

Abstract

Corporate Debt Restructuring (CDR) is an effective financial tool for minimizing the adverse effects of default on the borrowers as well as lenders. This is especially important, as the credit portfolio of banks and financial institutions are created mainly out of the resources raised from the general public.

The research paper looks at the progress report of CDR cell and the impact of CDR on banking. Further corporate debt analysis has conducted for the period of five years.

- The total debt for the sample companies analyzed (excluding financial and IT related sectors) over five year period 2011-2015 has been increasing at an annual compound average growth rate of 12.8%.
- The level of debt for the companies is significantly affected by investment made. Size in terms of sales also matters to a limited extent though the relation gets inverted in 2014-15.
- Firms which have high level of investment tend to borrow more funds.
- Larger firms borrowed more until 2014, after which size had a negative relation with total debt indicating that smaller firms borrowed more to compensate for the slowdown in profits while larger ones could have been deleveraging or borrowing less due to low or stalled investments
- Relation between interest cover and debt-equity was not strong at the company-level.
- The same relation between interest cover and debt-equity ratio at industry level indicated inverse relation between interest cover and debt-equity.
- A size wise analysis shows that small companies (less than 100cr net sales) have high debt-equity and have problems in debt service as the interest cover is negative. The larger companies have lower debt-equity ratio of less than 1 with interest cover greater than 1. The medium size range of Rs 100-250 crore had debt-equity ratio of above 1 and interest cover of just about 50%.
- An industry wise analysis brings out the top debt-burdened industry groups: Iron and steel, Power Generation and distribution entities, Refineries, Telecommunications service providers and Engineering.

To achieve the stated objectives, secondary data are utilized. Secondary data has been analyzed. Microsoft Excel was used to analyze the data and to generate inferences. On the basis of inferences generated, suggestions have been provided.