

CARE Ratings Debt Quality Index (CDQI) denotes the quality of debt that can be interpreted over time and juxtaposed with other developments in the financial sector. The CDQI captures, on a scale of 100 (index value for the base year FY12), whether the quality of debt is improving or declining. Intuitively an upward movement indicates improvement in quality of debt benchmarked against the base year. As it is contemporary with minimum time lags, the health of the debt and credit markets is encapsulated on a near-real-time basis.

The dataset comprises 1,615 companies from CARE's portfolio of 2,980 companies as of March 2012. The dataset is revisited at regular intervals and is replaced suitably with a new set of companies with a similar rating and an approximate volume of outstanding debt rated in case if an entity ceases to have a rating coverage. Currently, the volume of debt of the sample companies stands at Rs. 44.6 lakh crore in August 2021.

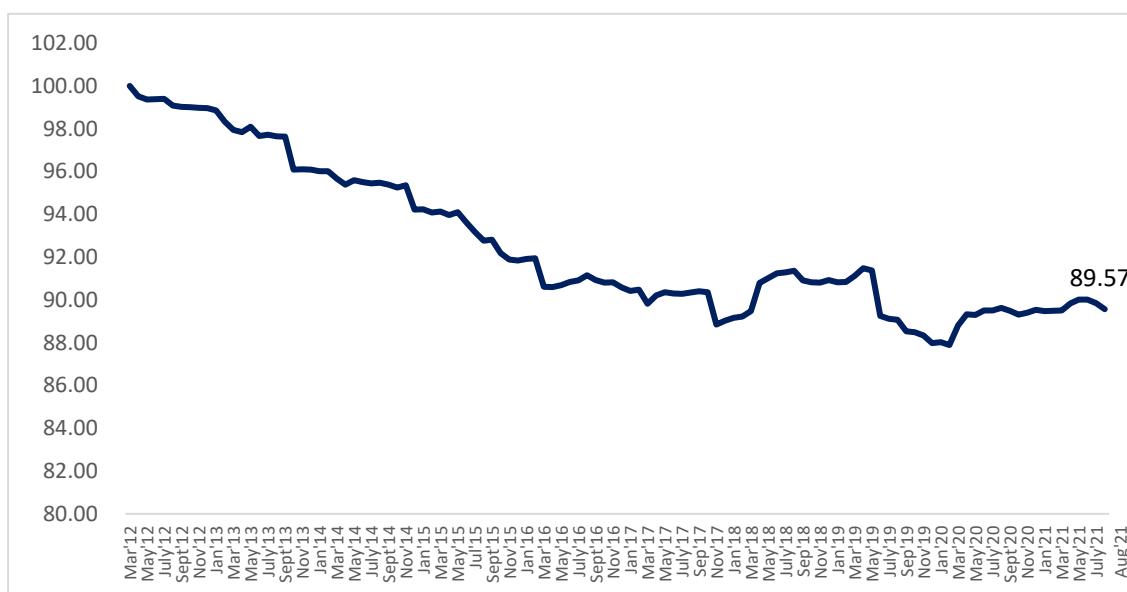
Table 1: Movement in CDQI

Month	CDQI - Index	Change
Apr-20	89.32	+0.51
May-20	89.30	-0.02
Jun-20	89.50	+0.20
Jul-20	89.50	0.00
Aug-20	89.62	+0.12
Sep-20	89.48	-0.14
Oct-20	89.30	-0.18
Nov-20	89.40	+0.10
Dec-20	89.53	+0.13
Jan-21	89.48	-0.05
Feb-21	89.50	+0.02
Mar-21	89.51	+0.01
April-21	89.84	+0.33
May-21	90.02	+0.19
June-21	90.01	-0.01
July-21	89.85	-0.16
Aug-21	89.57	-0.28

Source: CARE Ratings' calculations

The CDQI rose to 89.51 in March 2021, 0.70 points more than March 2020 with a notable uptick witnessed in April 2020 on account of enhancements in rated debt of higher rated entities. In June 2020 and December 2020, the gain in the CDQI was supported by few ratings moving from default grade to non-default grade on improvement in the liquidity of these companies. During the last quarter of FY21, the index was largely range-bound. After cumulatively increasing by 0.35 points in the first four months of FY22, the index has fallen by 0.28 points to 89.57 in August'21 compared with 89.85 in the previous month due to downgrades in rated debt of some entities.

Exhibit 1: Movement in CDQI



For detailed methodology see:

<http://www.careratings.com/pdf/Banner/CDQI%20PR%20&%20Report%20%20for%20website.pdf>

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