

CARE Ratings Debt Quality Index (CDQI) - May 2015

In May 2015, CARE Ratings had released its Debt Quality Index (CDQI) which 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.

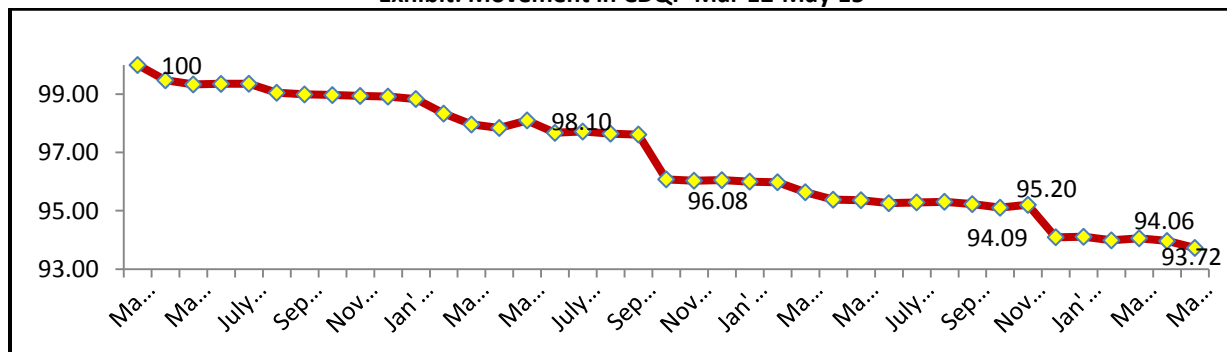
Movement in index -May 2015

The CDQI stood at 94.06 with an upward movement at the end of the fiscal year during March'15 indicating a slight improvement in the quality of debt. However, in the subsequent two months the CDQI has moved downwards by 0.09 points to 93.96 in April'15 and further down by -0.24 points to 93.72 in May'15. The downward movement in the index implies that the quality of debt has declined over the past two months.

Table :Movement in CDQI

Month	CDQI- Index	Change
March'15	94.06	0.07 ↑
April'15	93.96	-0.09 ↓
May'15	93.72	-0.24 ↓

Exhibit: Movement in CDQI- Mar'12-May'15



D. R. Dogra, Managing Director and CEO

'The volume of debt though expanding has been associated with declining quality. The downward movement of the CARE Ratings Debt Quality Index (CDQI) during the past two months is a concern as it may indicate that the quality of assets of banks is still under pressure and a recovery is yet to be seen in this sector.'

For detailed methodology see:

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

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