

Quality of rated debt dips in August 2021: CARE Ratings

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The reading on CARE Ratings Debt Quality Index (CDQI) dipped to 89.57 in August 2021 from 89.85 in July 2021 due to

downgrades in rated debt of some entities. This was a second consecutive decline as CDQI print in June was 90.01.

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.

As the data is tabulated 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 rating agency said in a statement.

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. This upgrade was aided by improvement in the liquidity of these companies.

During the last quarter of FY21, the index was largely range-bound.