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CARE Ratings debt quality index witnessed notable uptick in FY22

BL Mumbai Bureau(<https://www.thehindubusinessline.com/profile/author/bl-mumbai-bureau-14972/>) | Updated On: Apr 12, 2022

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The index captures, on a scale of 100 (index value for the base year FY12), whether the quality of debt is improving or declining. | Photo Credit: Andrii Yalanskyi

CARE Ratings said the CDQI saw an improvement in all the last five months of FY22

Care Ratings' debt quality index (CDQI) witnessed a notable uptick in FY22 from 89.51 in March 2021 to 92.24 in March 2022, largely driven by upgrades in rated debt, enhancements in rated debt of higher-rated entities and reduction in debt of a large defaulting NBFC on restructuring.

CARE Ratings said the CDQI saw an improvement in all the last five months of FY22.

The March 2022 index rose to 92.24 from 91.96 in February due to the rating of the market borrowing programme of a large power finance company and enhancements in rated debt of other highly rated entities. CDQI movement was on an upward trajectory from November 2021, moving up to 91.41 vs 89.86 in October 2021, December 2021 (91.43), January 2022 (unchanged at 91.43), February (91.96), and March (92.24).

Improved quality

The index 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 an improvement in the 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,” CARE Ratings said in a statement.

The rating agency said the dataset for arriving at CDQI comprises 1,639 companies from its portfolio of 2,980 companies as of March 2012. Currently, the volume of debt of the sample companies stands at ₹45.2-lakh crore in March 2022.

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