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Corporate debt quality remains steady in June after improving since Feb

According to CARE Ratings, upgrades in rated debt can be attributed to higher demand with the economy opening up after lockdowns, releasing pent-up demand, and lower cost of capital

pics

CARE Ratings | Debt | NBFC

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Last Updated at July 16, 2022 01:25 IST



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The CDQI in June was stable as the enhancements in debt were largely off-set by reduction in borrowing programmes of highly rated borrowers.

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Reflecting consolidation in the credit profile, corporate **debt** quality remained steady in June 2022 after having gradually improved since February 2022.

The reading on CareEdge **Debt** Quality Index (CDQI) was 92.56 for June, the same level in May 2022, according to **CARE Ratings**. After a pause in January 2002, the print on the index moved up for four months from 91.96 in February 2022 to 92.56 points in May 2022.

The CDQI captures the improvement or decline in the quality of **debt** on a scale of 100 (index value for the base year FY12). Intuitively, an upward movement indicates an improvement in the quality of debt benchmarked against the base year. The volume of debt of the sample **companies** stood at Rs 46 trillion this June.

According to **CARE Ratings** Director Smita Rajpurkar, the CDQI improved in April and May as well, mainly due to upgrades and enhancements in rated debt of entities in

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the construction, power and infrastructure finance sectors. The CDQI in June was stable as the enhancements in debt were largely off-set by reduction in borrowing programmes of highly rated borrowers.

It 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



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structuring.

According to the rating agency the upgrades in rated debt can be attributed to higher demand with the [economy](#) opening up after the lock-downs, releasing pent-up demand, and lower cost of [capital](#). The better realisations and improvement in profitability, as well as significant deleveraging by India Inc have also played a role in improvement.

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Digital Editor