

CARE Ratings Debt Quality Index (CDQI) - July 2020

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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 1,614 companies from CARE Ratings' 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. 42.43 lakh crore in July 2020.

Table 1: Movement in CDQI

Month	CDQI - Index	Change
Apr-19	91.48	0.38
May-19	91.37	-0.11
Jun-19	89.25	-2.12
Jul-19	89.11	-0.16
Aug-19	89.07	-0.04
Sep-19	88.54	-0.54
Oct-19	88.49	-0.05
Nov-19	88.33	-0.16
Dec-19	87.98	-0.36
Jan-20	88.02	0.04
Feb-20	87.89	-0.13
Mar-20	88.81	0.92
April-20	89.61	0.80
May-20	89.58	-0.03
June-20	89.79	+0.20
July-20	89.79	0.00

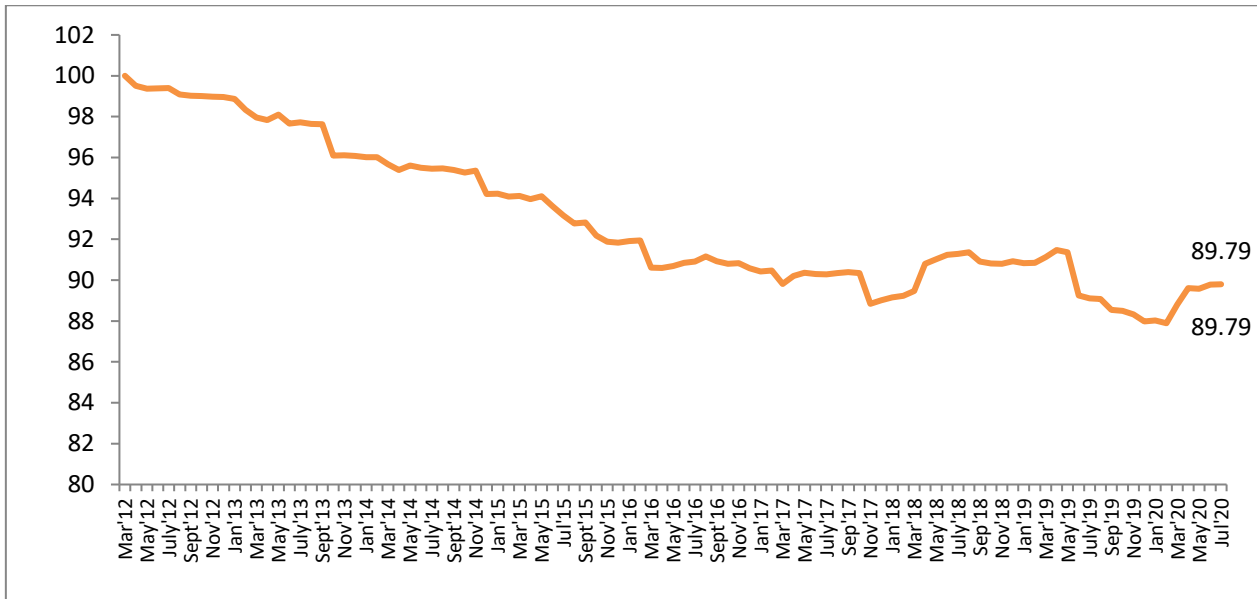
Source: CARE Ratings' calculations

During FY20, the CDQI has declined by 2.31 points from 91.12 for March 2019 to 88.81 in March 2020, indicating a moderation in the credit quality of the rated entities. The index fell in 9 out of 12 months in FY20 mainly on account of downgrade in ratings owing to stress in the

liquidity position of NBFCs and HFCs making it difficult for entities to raise finance in a timely manner as also delaying monetisation plans.

The index has seen a notable increase in April'20 on account of enhancements in rated debt of high rated entities while it remained almost stable in May 2020 at 89.58. CDQI increased by 0.20 points in June 2020 on account of enhancements in rated debt of high rated entities and few ratings moving from default grade to non-default category on improvement in the liquidity of those companies. In July 2020, it remained unchanged at the previous month's level.

Exhibit 1: Movement in CDQI Index



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