

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 1,609 companies from CARE's 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. 43.35 lakh crore in March 2021.

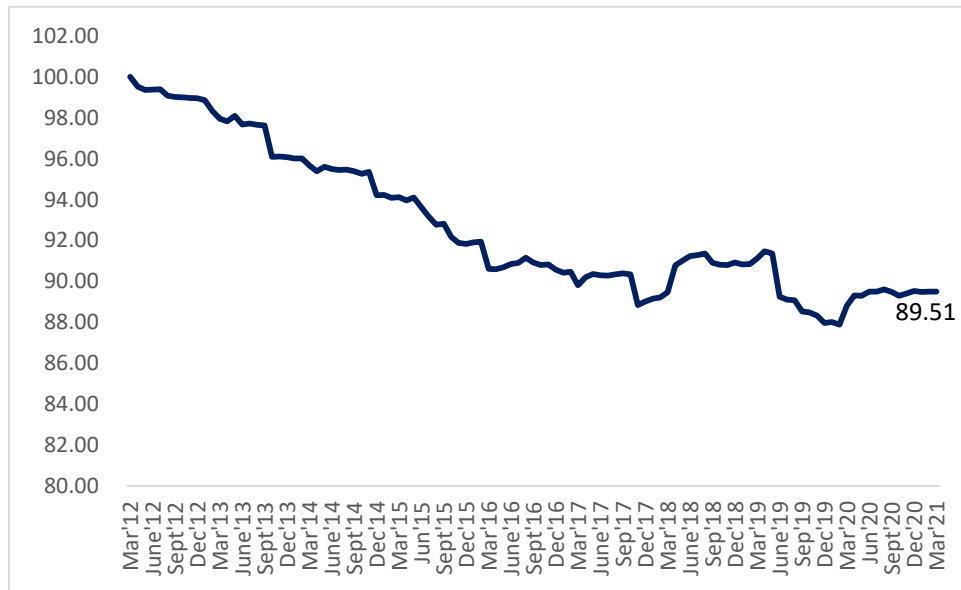
**Table 1: Movement in CDQI**

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
Apr-20	89.32	+0.51
May-20	89.30	-0.02
Jun-20	89.50	+0.20
Jul-20	89.50	0.00
Aug-20	89.62	+0.12
Sep-20	89.48	-0.14
Oct-20	89.30	-0.18
Nov-20	89.40	+0.10
Dec-20	89.53	+0.13
Jan-21	89.48	-0.05
Feb-21	89.50	+0.02
Mar-21	89.51	+0.01

Source: CARE Ratings' calculations

The index had seen a notable increase in April 2020 of 0.51 points on account of enhancements in rated debt of higher rated entities, after witnessing a fall of 2.31 points in FY20 triggered by downgrade in ratings owing to stress in the liquidity position of NBFCs and HFCs. The index has been largely range bound in FY21. After rising by 0.23 points during November and December 2020, the CDQI has remained almost stable in the last three months and is at 89.51 in March 2021.

Exhibit 1: Movement in CDQI



For detailed methodology see:

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

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