Press Release of CARE's Unaudited Financial Results for Q3-FY13

CARE Ratings announced its third quarter results for FY13 on Monday 28th January, 2013. The results were approved by the board of Directors earlier in the day.

Background

The performance of CARE Ratings was guided to a large extent by the macro economic conditions where the credit and debt markets were subdued. Overall growth in bank credit for the first 9 months of the year between April and December was lower at 9.0% as against 10.8% during the same period of last year. The debt market too was at a lower level with the number of issues coming down to 857 during the first 9 months of FY13 from 1022 during the same period of FY12.

The lower level of activity in the credit market may be attributed to low growth conditions in the economy with GDP growth for the first 6 months being only 5.4% as against 7.3% last year. The lower performance was also reflected in the ratio of upgrades to downgrades which declined from 1.14 in FY12 to 0.29, 0.20 and 0.18 in the first three quarters of FY13. The RBI has also maintained an aggressive inflationary stance and retained the repo rate at 8% after lowering it by 50 bps at the time of the Annual Monetary Policy. The performance of CARE should be viewed against this background.

CARE's Performance

Despite the challenging environment, the total number of new assignments completed was 4,801 during the first 9 months of the year as against 3,179 for the same period last year which reflects both deepening and widening of our business. In fact, in Q3-FY13 there were 1,559 new assignments undertaken as against 1,177 during the same period of last year. Significantly, the company added 1,725 new clients during the nine-month period (626 were added in Q3-FY13).

During Q3-FY13, total income was Rs 53.46 crore of which Rs 45.57 crore was from operations. Total expenditure was Rs 15.17 crore, of which 76% was accounted for by employee cost. Other income was Rs 7.89 crore and net profit Rs 27.82 crore.

For the nine-month period, April-December 2012, income from operations was Rs 135.46 crore and other income Rs 20.53 crore. Total expenditure was Rs 47.47 crore with employee cost accounting for 74% of it. The staff strength had increased from 456 in December 2011 to 500 in March 2012 and further to 546 in December 2012 as part of the overall strategy to expand the business across geographies and focus on both business and ratings through strengthening of human resources as well as opening of branches.Net profit stood at Rs 77.72 crore

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The macroeconomic environment had its impact on behavioral response from clients which affected the company's income from operations at both the initial rating and surveillance stages. At the initial rating level, income was affected even though the number of rating assignments had increased substantially due to smaller ticket sizes being rated and pricing pressure. Surveillance income was affected on account of suspension of ratings as well as rating downgrades.

Other income of the company has been subdued during the year despite an increase in the quantum of financial investments from Rs 340 crore in March 2012 to Rs 406 crore in December 2012. This was so as investments were made in Fixed Maturity Plans (FMPs) and growth oriented schemes of mutual funds where income can be booked only on due date or time of sale respectively.

During the third quarter, the company completed a successful IPO listing of its stock on BSE and NSE on 26th December 2012.

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