CARE Ratings

20 YEARS

Celebrating Two Decades of Analytical Excellence

Q3 & 9M FY2014 Results Presentation

Disclaimer

Certain statements in this document may be forward-looking statements. Such forward-looking statements are subject to certain risks and uncertainties like government actions, economic developments, and many other factors that could cause the Company's actual results to differ materially from those contemplated by the relevant forward-looking statements. Credit Analysis and Research Ltd. will not be in any way responsible for any action taken based on such statements and undertakes no obligation to publicly update these forward-looking statements to reflect subsequent events or circumstances.

Quarterly & Nine monthly Performance

Economic backdrop (April-December)

CARE's performance should be viewed against backdrop of overall economic conditions and capital market activity

- GDP growth in Q2 FY14 stood at 4.8% (5.2%), GDP grew by 4.6% in H1 FY14 (5.3%)
- Industrial growth of -0.2% during April-November FY14 as against a positive growth of 0.9% in the corresponding period of FY13
- Interest rates increased by RBI by 25 bps in Q3: inflation a major concern
- Rupee relatively stable in the range of Rs 61.5/$ - 62.5/$
- Bank credit growth picks up, but slowdown in growth to industrial sector
- Debt market issuances lower in first 9 months of FY14 as against last year

Key Highlights

- Total Income growth of 16.4% in 9M FY14 over 9M FY13
- EBIDTA margins at 67.8% and PAT margins at 48.1% in 9M FY14
- 2,206 new clients added during 9MFY14
- 3rd Interim Dividend declared of Rs. 6 per share in Q3 FY14 – total dividend of Rs. 18 per share for 9M FY2014, amounting to a strong payout ratio of 69.5%
- International credit rating agency ARC Ratings, S.A., launched in London

MD and CEO's Message

Commenting on the results and performance for Q3 & 9M FY14, Mr. D.R. Dogra, Managing Director and CEO of CARE Ratings said:

"We have achieved notable growth in our performance in what continued to be a very tough period for the Indian economy. Our financial and operational parameters continue to strengthen showcasing the proficiency of our business model and increasing brand salience. Concerted expansion of business development team and unwavering confidence in CARE's risk opinions continues to aid volume trajectory.

A significant development was the launch of ARC Ratings, our international CRA. This is a significant milestone towards growing our business and brand footprint in the global arena. ARC offers a more comprehensive and pragmatic view on credit risk; and is registered with ESMA (European Securities and Markets Authority), thus complying with strict regulation standards.

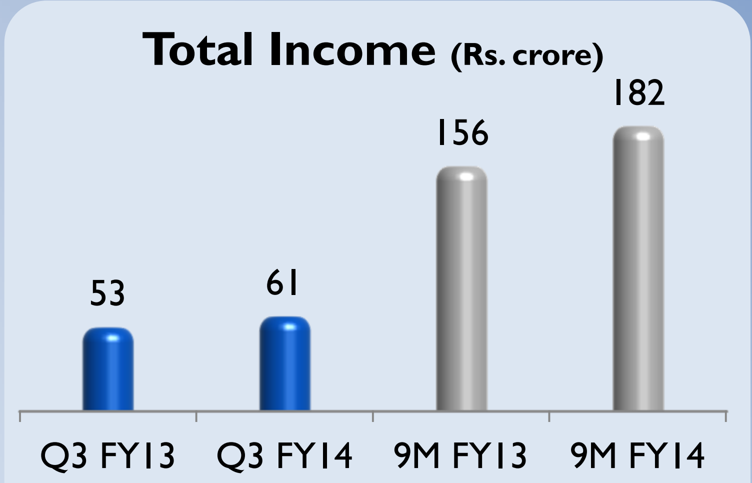
Distributing value to our shareholders is a corporate philosophy. Given the continuous generation of healthy free cash flows, this would be the fifth consecutive quarter where the Board has declared an interim dividend. The Rs. 6 per share dividend declared in Q3 FY14 adds to a total dividend of Rs. 18 per share for 9M FY2014, amounting to a strong payout ratio of 69.5%.

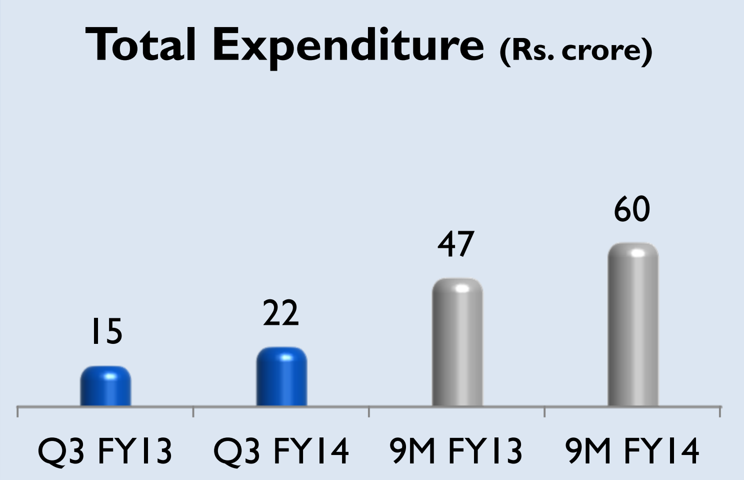
In the coming quarters, we expect subdued macros impacting industrial activity and the credit rating sector resultantly. However, we continue to be comfortable about the future as we have built the foundations for a strong and lasting company that brings a distinctive approach to the credit rating sector. We are well poised to navigate through the economic headwinds and capitalize on the anticipated tailwinds. Our superior business model, growing brand equity, human capital efficiencies, expansive distribution network and strong financial position provides solid underpinnings for sustainable growth."

Financial Performance – Q3 & 9M FY14

Rs. crore	Q3 FY14	Q3 FY13	Growth (%)	9M FY14	9M FY13	Growth (%)
Rating Revenue	53.02	45.31	17.02	152.54	135.14	12.88
Other Revenue	0.82	0.26	215.38	1.26	0.33	281.82
Total revenue	**53.84**	**45.57**	**18.15**	**153.80**	**135.47**	**13.53**
Other income	6.71	7.89	(14.96)	27.77	20.53	35.27
Total income	**60.55**	**53.46**	**13.26**	**181.57**	**156.00**	**16.39**
Employee cost	15.39	11.54	33.33	42.27	35.10	20.41
Other expenses	5.98	3.13	90.72	16.15	10.27	57.34
Depreciation	0.72	0.49	46.43	2.04	2.10	(2.76)
Total Expenses	**22.09**	**15.17**	**45.61**	**60.46**	**47.47**	**27.37**
EBITDA	**39.18**	**38.78**	**1.03**	**123.15**	**110.63**	**11.32**
PBT	**38.46**	**38.29**	**0.45**	**121.11**	**108.53**	**11.59**
PAT	**28.02**	**27.82**	**0.69**	**87.37**	**77.72**	**12.42**

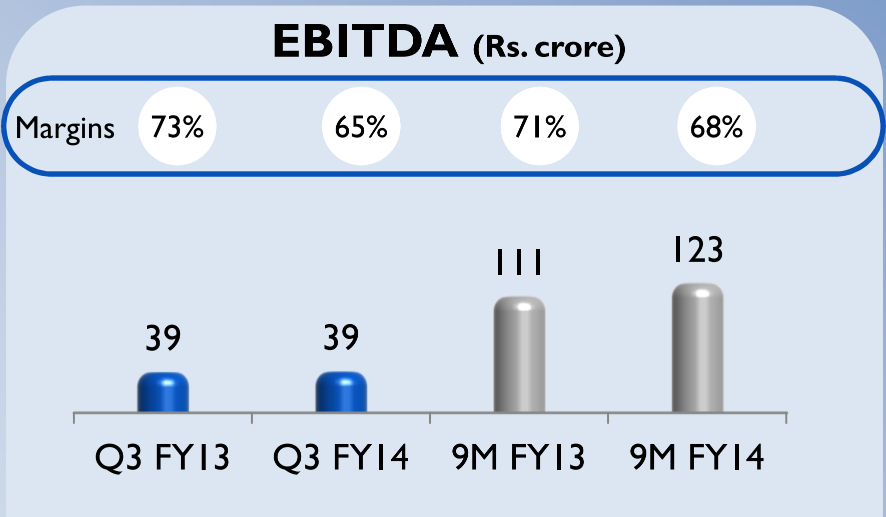
Income and Expenditure

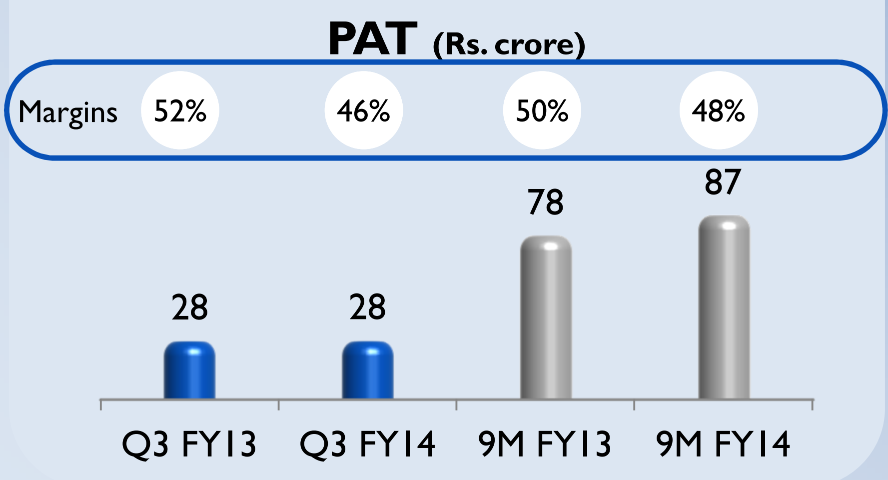




- Total income in Q3 FY14 grew by 13.26% and in 9M FY14 increased by 16.39% compared with the corresponding period last year
- Improvement in Q3 FY14 total income was enabled by ongoing surveillances of ratings and acquiring fresh rating assignments
- Other income of Rs. 6.71 crore comprises income from tax efficient instruments like Fixed Maturity Plan (FMP) and tax free bonds
- Higher Expenditure in 9M FY14 over 9M FY13 mainly on account of employee additions, provision for variable pay of employees and commencement of new offices at four locations

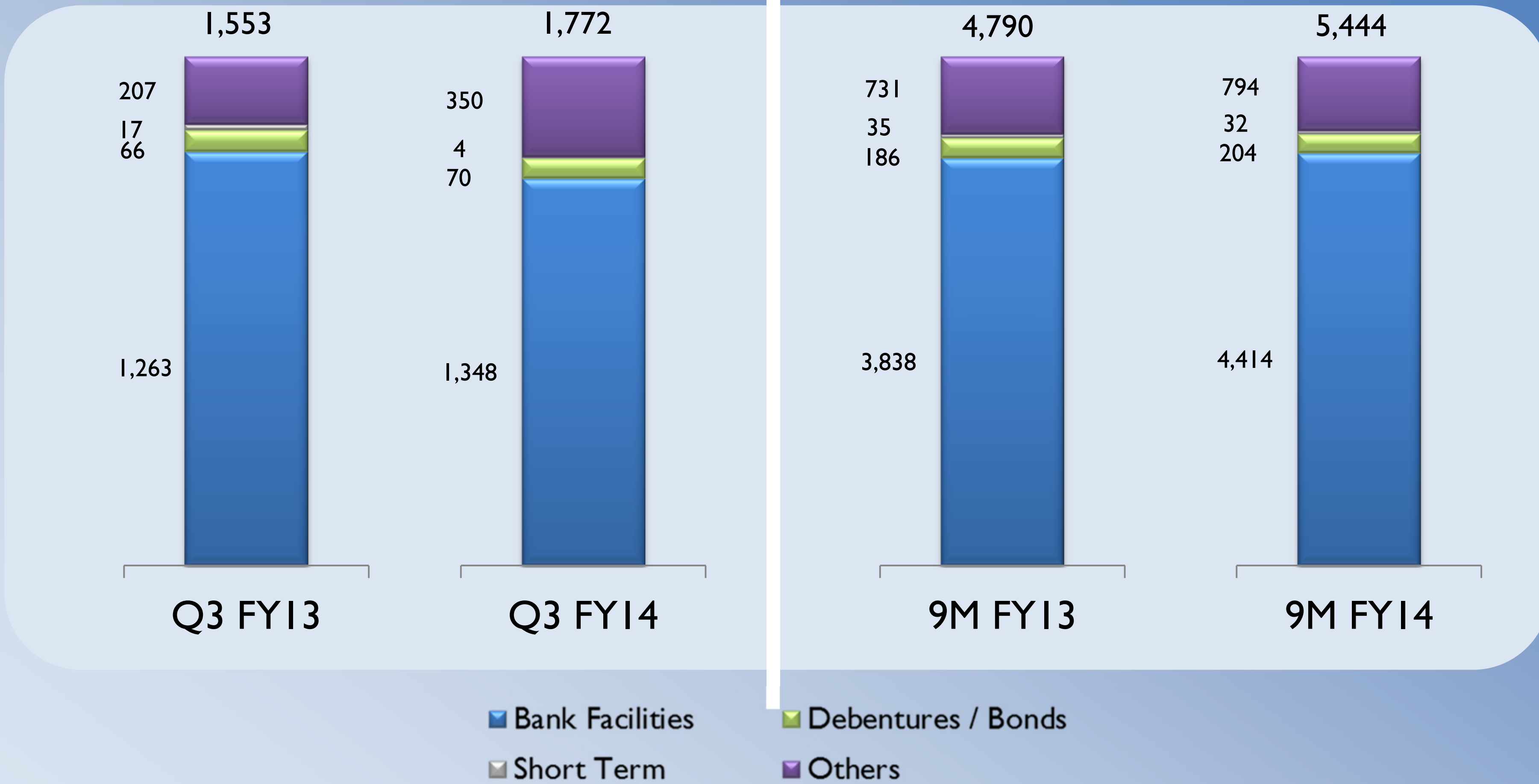
Profitability





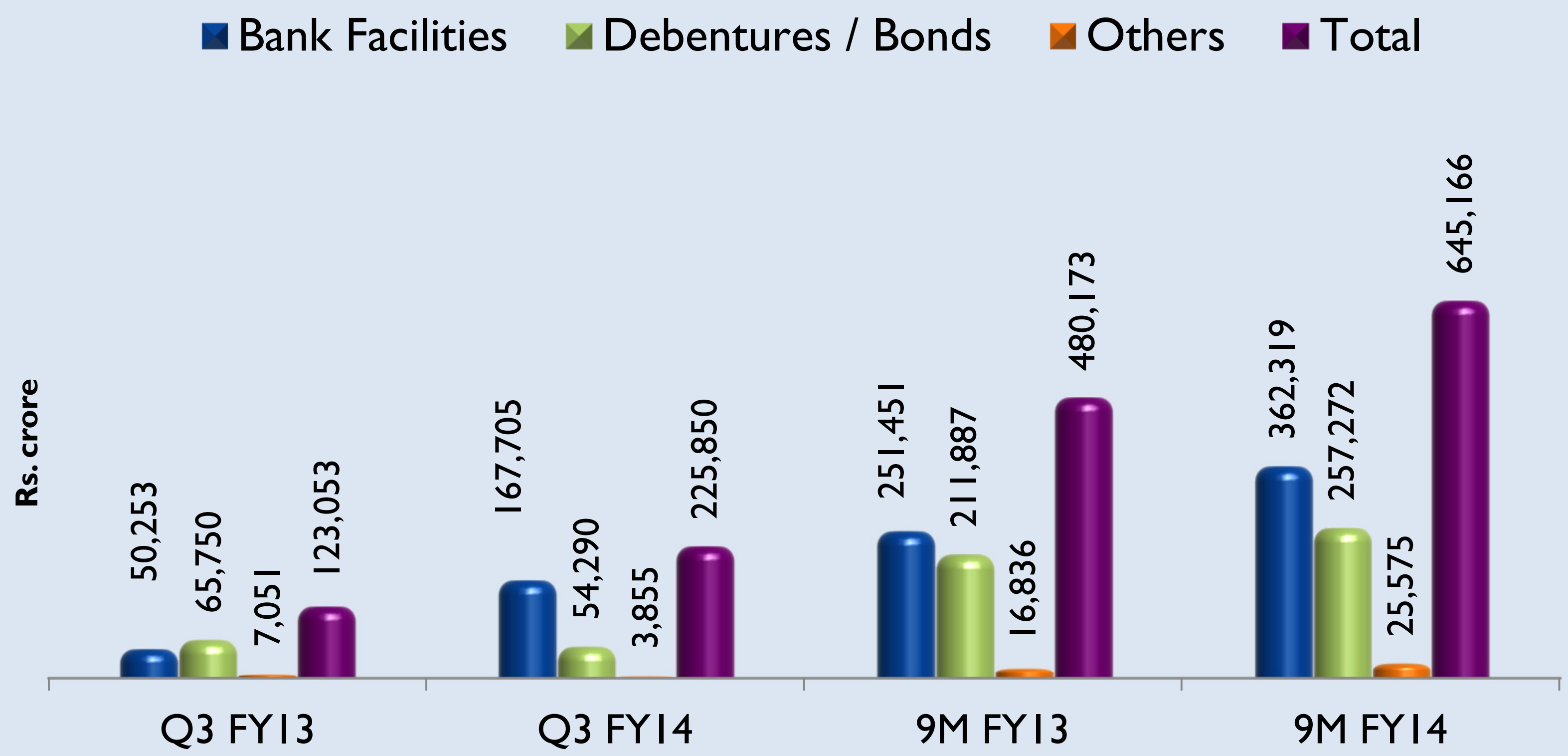
- EBITDA grew by 1.0% in Q3FY14 and by 11.3 % in 9M FY14
- Expenditure as a percentage of total income in 9M FY14 stood at 33.3% - resulting in EBIDTA margins of 68% in 9M FY14
- PAT was stable in Q3 FY14 and grew by 12.4% in 9M FY14

Number of Assignments



- In Q3 FY14, total number of assignments higher by 14.1% YoY to 1,772
- No. of bank Facilities rated grew by 6.7% while the number of debentures rated grew by 6.0% in Q3 FY14 as compared to the corresponding period last year

Volume of Debt Rated

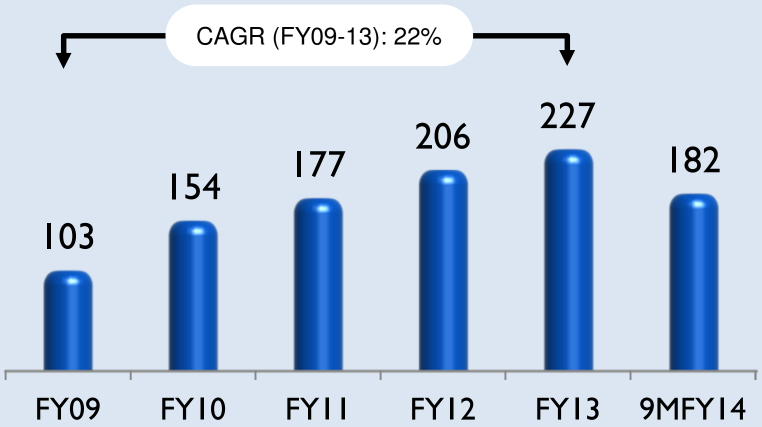


- In Q3FY14, volume of bank facilities and debenture/bond segments expanded due to concerted efforts to capture fresh business

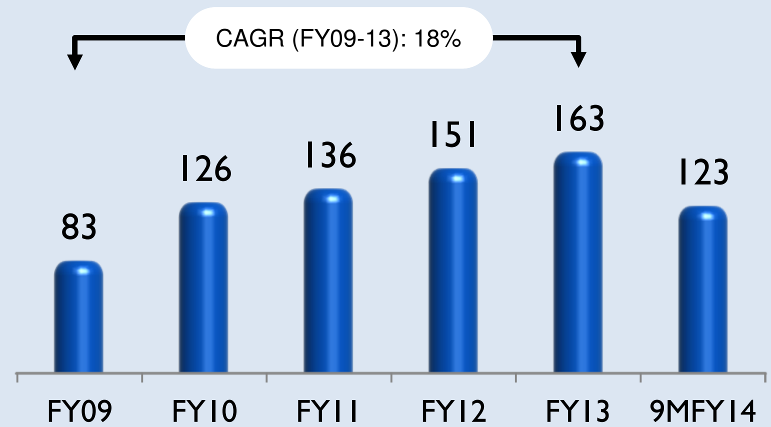
5 year Performance Snapshot

Strong Financial Position and Profitability

Total Income (Rs. crore)

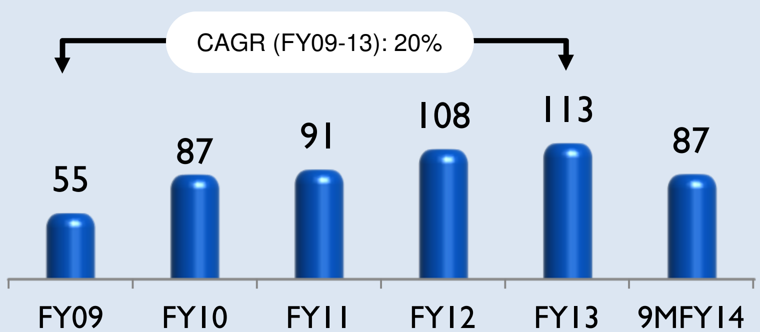


EBIDTA (Rs. crore)



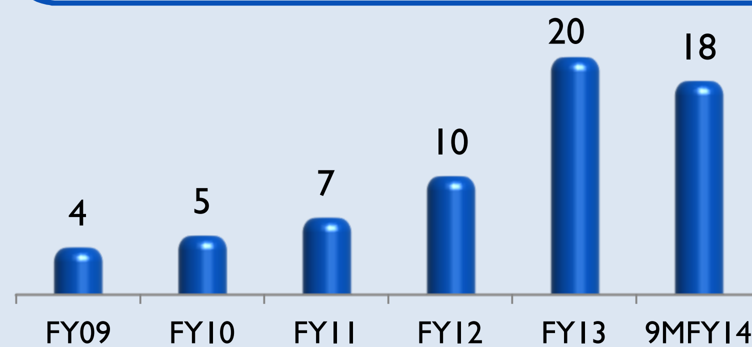
Profit After Tax (Rs. crore)

Margins 55% 57% 51% 52% 50% 49%



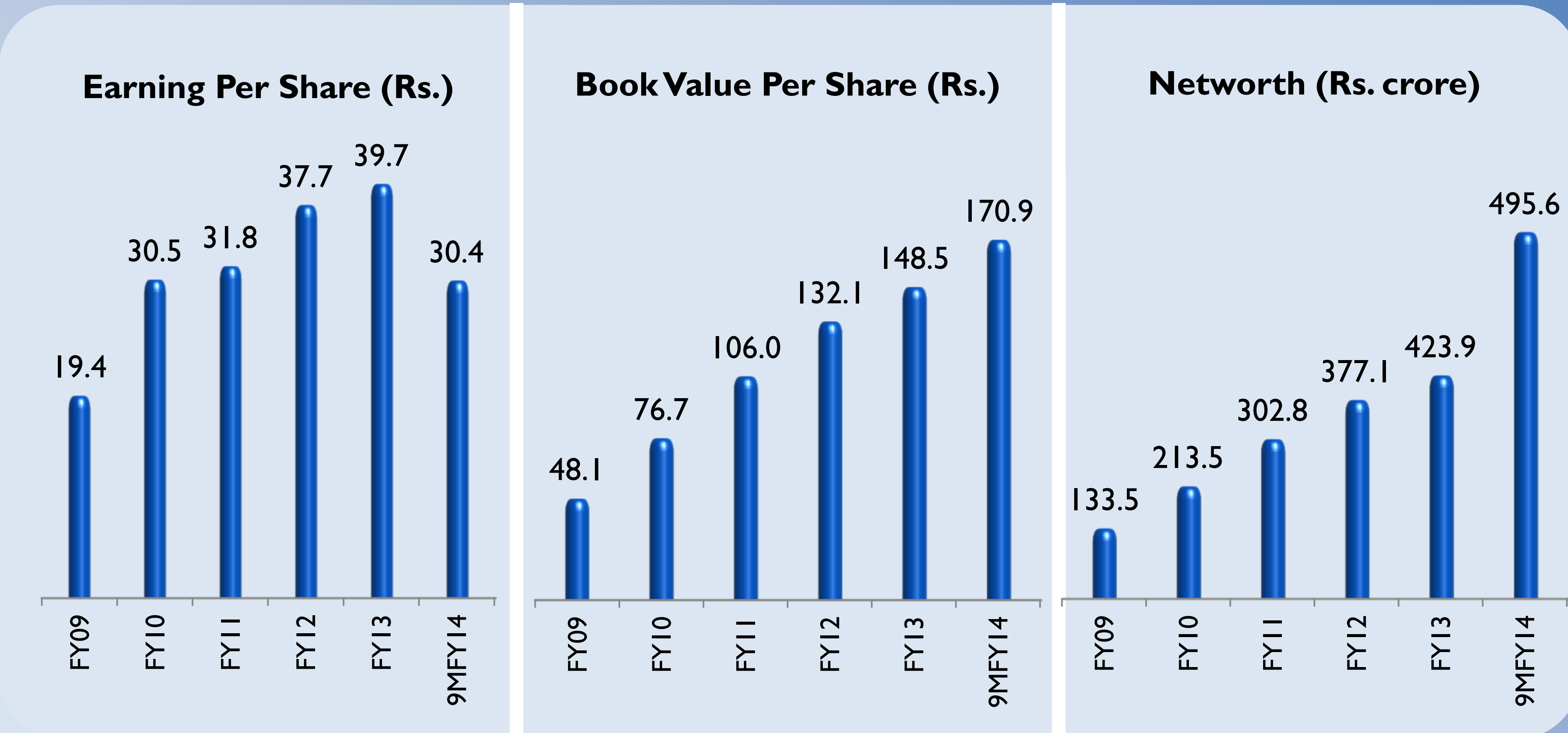
Dividend per share of Rs. 10

6% 6% 8% 30% 58% 70% Payout Ratio



60% Interim dividend declared for Q3 FY14

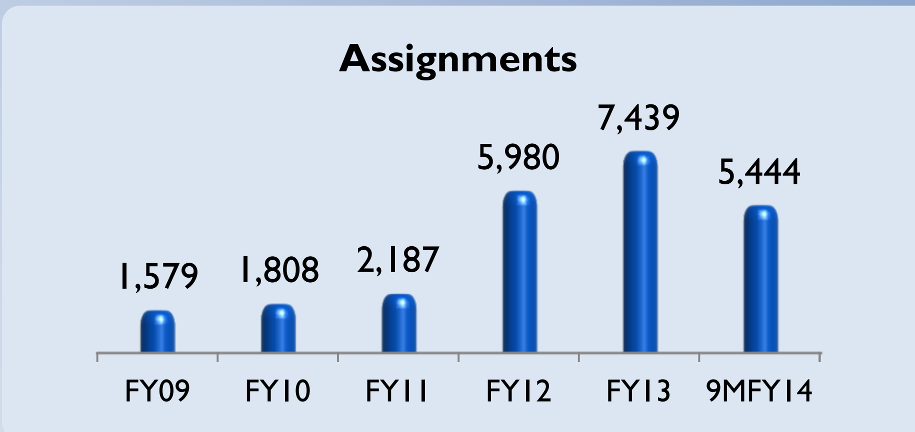
Key Ratios

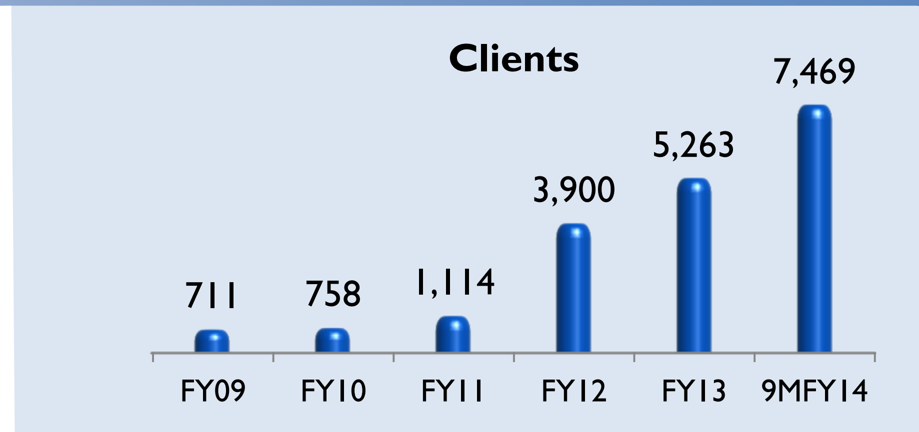


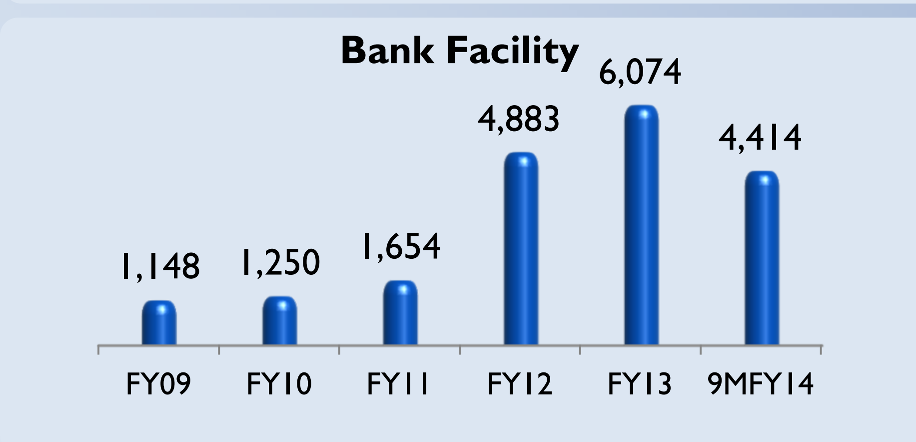
EPS for 9MFY14 is not annualized

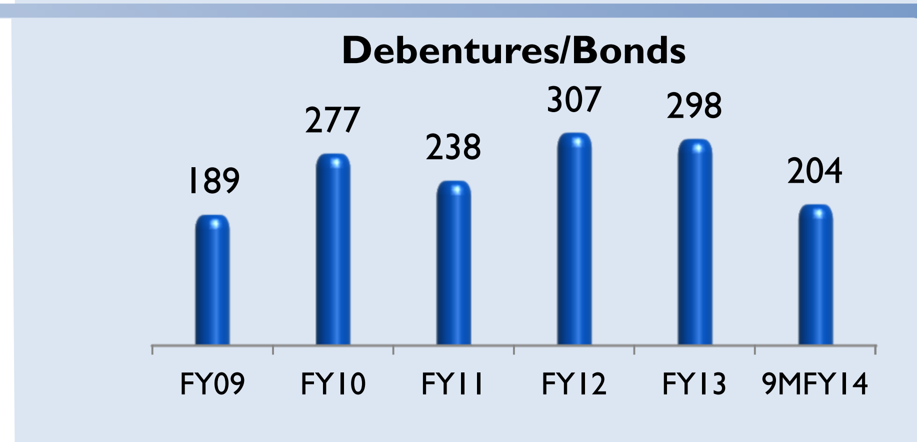
Robust Operational performance

Substantial operational growth in varied macroeconomic environment & subdued business sentiment



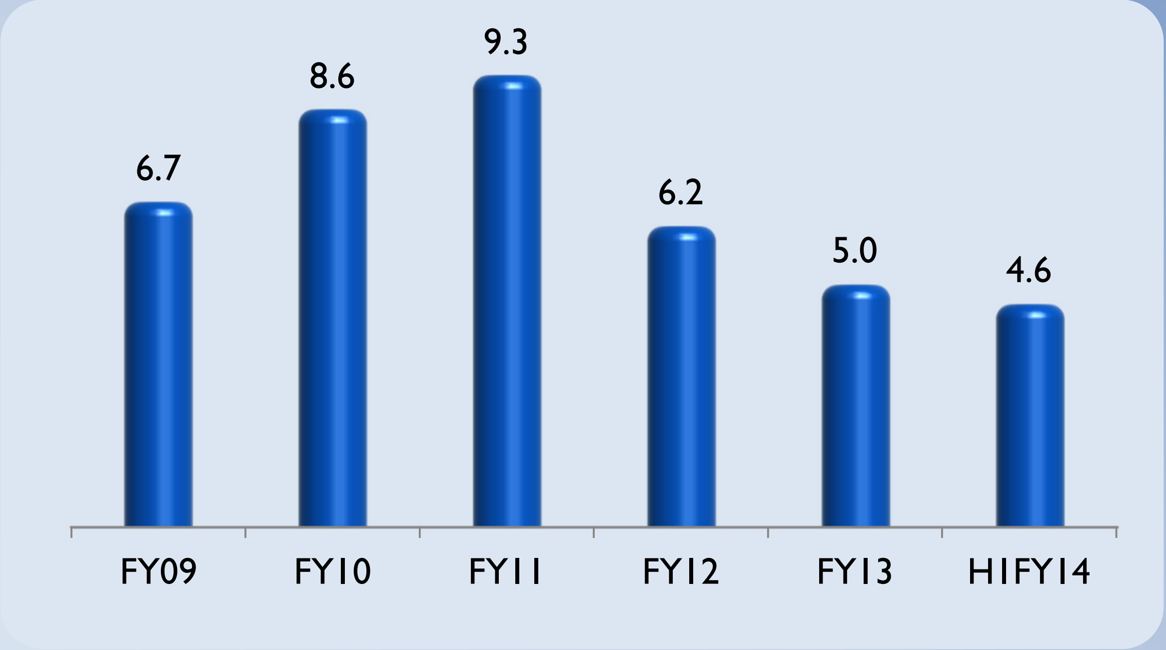






Economic Backdrop

Gross Domestic Product



FY14 GDP Prospects

GoI – 5.0% -5.5%

RBI – 5.0%

CARE 4.9%

Economy round up so far - Positives

- Trade deficit improved to $ 110.0 bn (first 9 months) compared with $ 146.8 bn last year
- Exchange rate stable at Rs. 61.5 – 63.5/$

- Net FII investment in Equity remained positive in Q3 FY14, however the debt segment was negative for Oct and Nov and turned positive in Dec

- Good harvest crop expected in FY14 based on estimates of higher food grains production in Kharif . Rabi sowing on track

- Credit growth picking up; growth in credit (April – 27 dec) stood at 9.4% in FY14 as against 9.0% last year

Economy round up so far - Negatives

- GDP growth at 4.8 in Q2 and 4.6% in H1 FY14
- IIP growth negative: -0.2% April – November FY14
- High Inflation levels notwithstanding moderation in December
- Government's fiscal deficit in first eight months (April-November) of FY14 reached 93.9% of budgeted target compared with 80.4% in the same period last year
- RBI maintaining anti-inflationary hawkish policy stance

Expectations going ahead

CARE Ratings
Professional Risk Opinion

Economic activity to remain subdued in the short-term

- Bank credit momentum likely to passive
- Debt markets muted and need to recover fast

- Inflation to moderate in the last quarter on account of food inflation
- Hence, expectation of RBI reducing key policy rates in March
- CAD is expected to be around 3% with downward bias (government estimates closer to 2.5%)
- Rupee to remain stable in the range of Rs 61-63/$

Investment of Rs. 3.84 lakh crore on infrastructure projects as announced by FM

- This can provide boost to the debt market during the second half - implementation of investments remains a key challenge

Sector Outlook

Debt Market

- Severely underpenetrated, below 5% to GDP
- To benefit from increased penetration by pension funds and insurance companies
- Multiple initiatives by Government of India to develop bond market
- Performance will depend on
  - growth in infrastructure
  - how much of the investment in projects cleared by government fructify
- Total debt raised (pubic offers + pvt placements) in 9 months FY stood at Rs 196,440 crore lower than Rs 264,045 crore in the same period FY13.
- No policy action is expected on this front until the general elections

Bank Loans

- Credit has witnessed a pickup which will provide positive some support for bank loan ratings. Slowdown however, in growth to industry. Services and retail performing relatively better
- Ratings coverage of Bank Loans expected to continue growing
- Credit policy growth target of 15% likely to be realized in FY14
- BLR business to be positively affected with a lag

MSME

- Would continue to be the main focus of credit rating agencies
- Given low level of penetration, scope for growth is high
- Of the 1.5 million functional SME units less than 80,000 have been rated
- "Performance & Credit Rating Scheme" for MSEs, implemented by NSIC, expected to drive ratings
- Good rating enhances the acceptability of the rated unit in the market and also enables it to access cheaper credit, faster
- Ratings to help them procure credit at a time when rates are particularly high for them

Company Overview

Brief Snapshot

(1) In terms of rating income FY13

Diversified Business Mix

Ratings

- Manufacturing & Services sector
- Financial sector
- Infrastructure
- Small & Medium Enterprises
- Structured Finance
- Sub Sovereign ratings

International expansion

- Already in Maldives
- Launched international rating agency – ARC Ratings in London
- Exploring markets in neighboring countries

Research & Gradings

- Industry & Customized Research reports
- CARE Industry Risk Metrics (CIRM) reports
- Grading services
- Training
- Valuations

CARE Kalypto

- Risk Solutions for
  - Basel II, Credit risks, Operational risks, Fund Transfer Pricing, Asset Liability Management, Value at risk, Capital Adequacy Ratio
- Advisory Services

Investment income

Growing Brand Equity

Rating relationship with over 7,469 clients

- Strong brand recognition in the ratings market, gained through 20 years of experience in the ratings business
- Attributes of objectivity and integrity have placed premium on CARE ratings amongst clients and investors
- Received recognition and accreditation from various regulatory bodies and entities
- Sponsors industry events & participate in seminars
- Domain experience across a range of sectors
- Graded the largest number of IPOs since the introduction of IPO grading in India
- Ratings for state enterprises provided for maximum number of states in terms of implicit state ratings

CARE Ratings

Ratings					Grading	Research
Corporate	Financial Sector	Public Finance	MSME	Infrastructure Sector	▪ IPO ▪ Shipyard	▪ Covering 49 sectors ▪ Customized research
▪ Debt ▪ Bank loan ▪ Issuer ▪ Corporate governance	▪ Banks ▪ NBFCs ▪ Housing finance ▪ Insurance ▪ Mutual funds ▪ Securitization programmes	▪ Sub-sovereign entities ▪ ULBs	▪ NSIC – SSI rating ▪ SME rating	▪ Power ▪ Roads ▪ Ports ▪ IDF	▪ ESCO ▪ Educational institutions ▪ Maritime training institutes ▪ RESCO ▪ Construction companies ▪ Real estate star ▪ Equigrade ▪ SME fundamental ▪ Renewable Energy Companies/Projects	▪ CARE industry risk metrics (150 sectors) ▪ Research reports by economic research team on domestic economy & global economic events ▪ Valuation of Market Linked Debentures ("MLDs"), ▪ Monthly PP-MLD report

Strong Rating Credibility - External Rating Committee

Steadfast commitment to veracity and objectivity in the opinions provided

- To maintain high standards of professional quality/integrity and address any conflict of interest, CARE has an external ratings committee comprising a majority of independent members
- Have had an external rating committee since inception (1993)
- Ratings ratified by highly qualified committee

Y. H. Malegam *(Chairman)*
- Former Managing Partner, S.B. Billimoria & Co.
- Member of Board of Directors of a number of companies and organizations including RBI

P.P. Pattanayak
- Former Managing Director of State Bank of Mysore
- Former Deputy Managing Director and Chief Credit Officer of SBI

V. Leeladhar
- Former Deputy Governor, RBI
- Ex-CMD Union Bank
- Former member of Board of Directors of IIBF, NABARD, NHB etc.

V.K. Chopra
- Former whole time member of SEBI
- Former Chairman and Managing Director of Corporation Bank and SIDBI

D.R. Dogra
- Managing Director, CARE
- Member of several committees of various chambers of commerce

Strong Rating Credibility - Ratings Process

Robust Processes

Quality Systems & Risk Management	▪ Established rating procedures ▪ Separate quality control department ▪ Continuous criteria development and improvement ▪ 3 levels of checks & balances
Information Technology	▪ Implemented integrated information interface for work flow management ▪ Established CARE Knowledge Centre (CKC) ▪ Established Online Research Distribution System for subscription of research reports

Principled approach, strong & transparent disclosures

Industry analogous default rates	▪ In-line with SEBI, RBI compliance CARE publishes an annual Default and Transition study of CARE rated issuers ▪ CARE's issued rating exhibit high level of stability – cumulative default rates and transition rates in line with industry average and peers
Principled ratings approach	▪ Strong policies in place to drive merit based ratings ▪ Compensation terms insulated from rating assigned

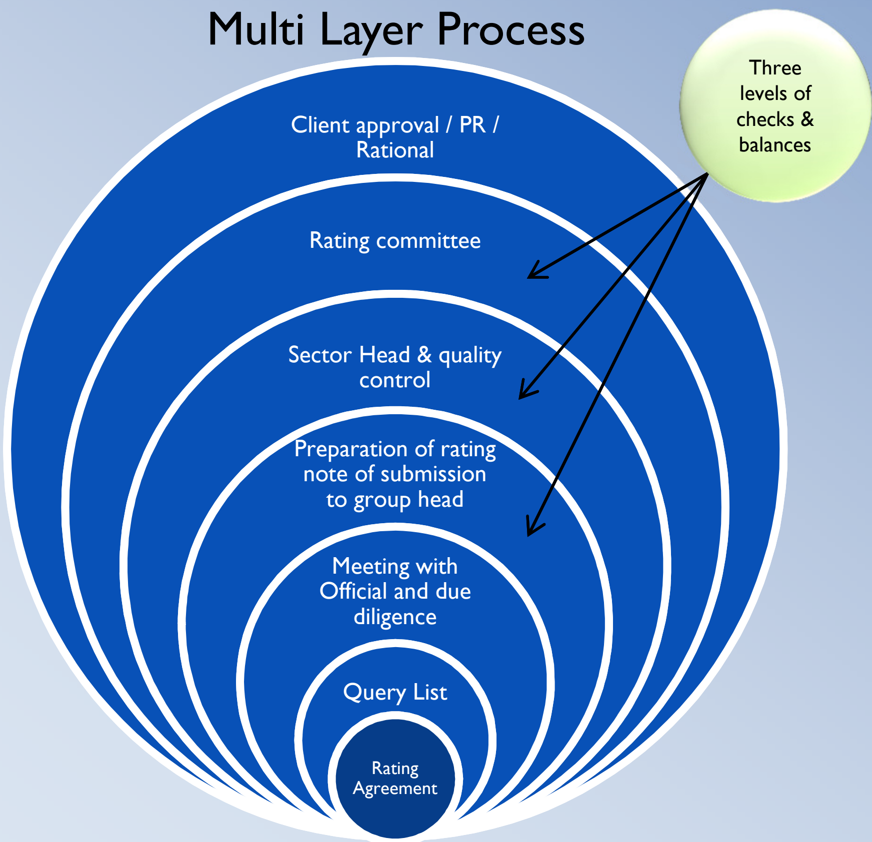
Compensation terms insulated from rating assigned

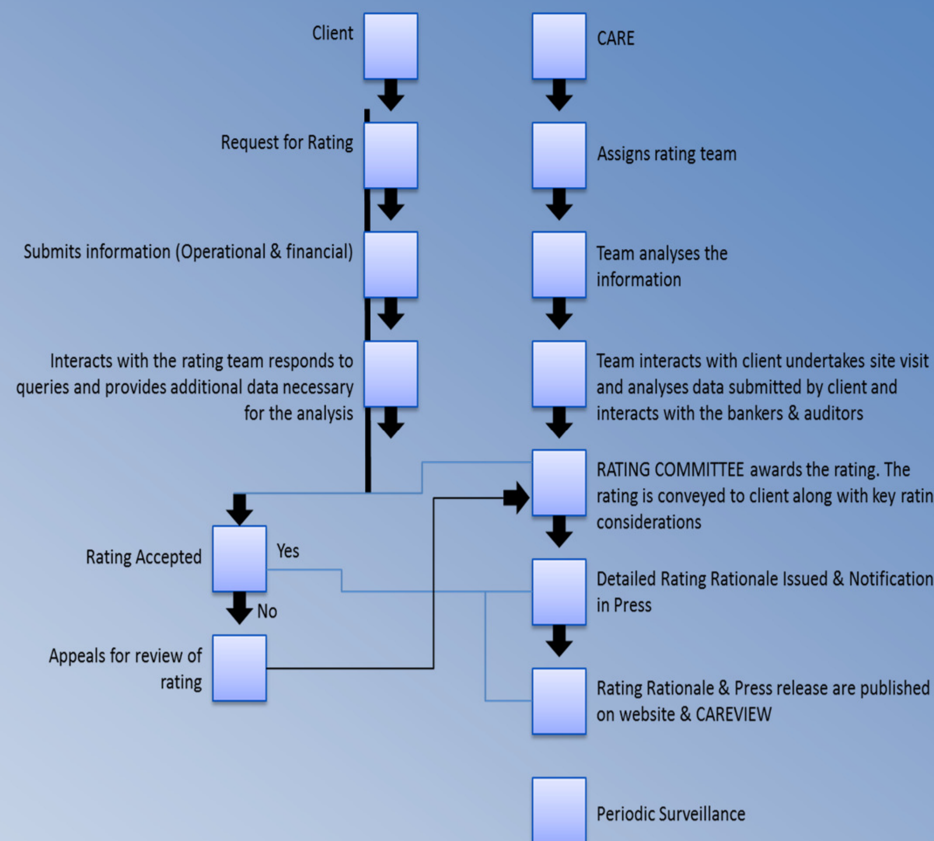
- Full initial rating fee is to be paid upfront – prior to rating assigned
- Issuers are liable to pay rating fees, regardless of whether they accept CARE's rating or not

Strong Rating Credibility - Ratings Process

Aligned with benchmark processes laying strong emphasis on ratings indisputability

Multi Layer Process



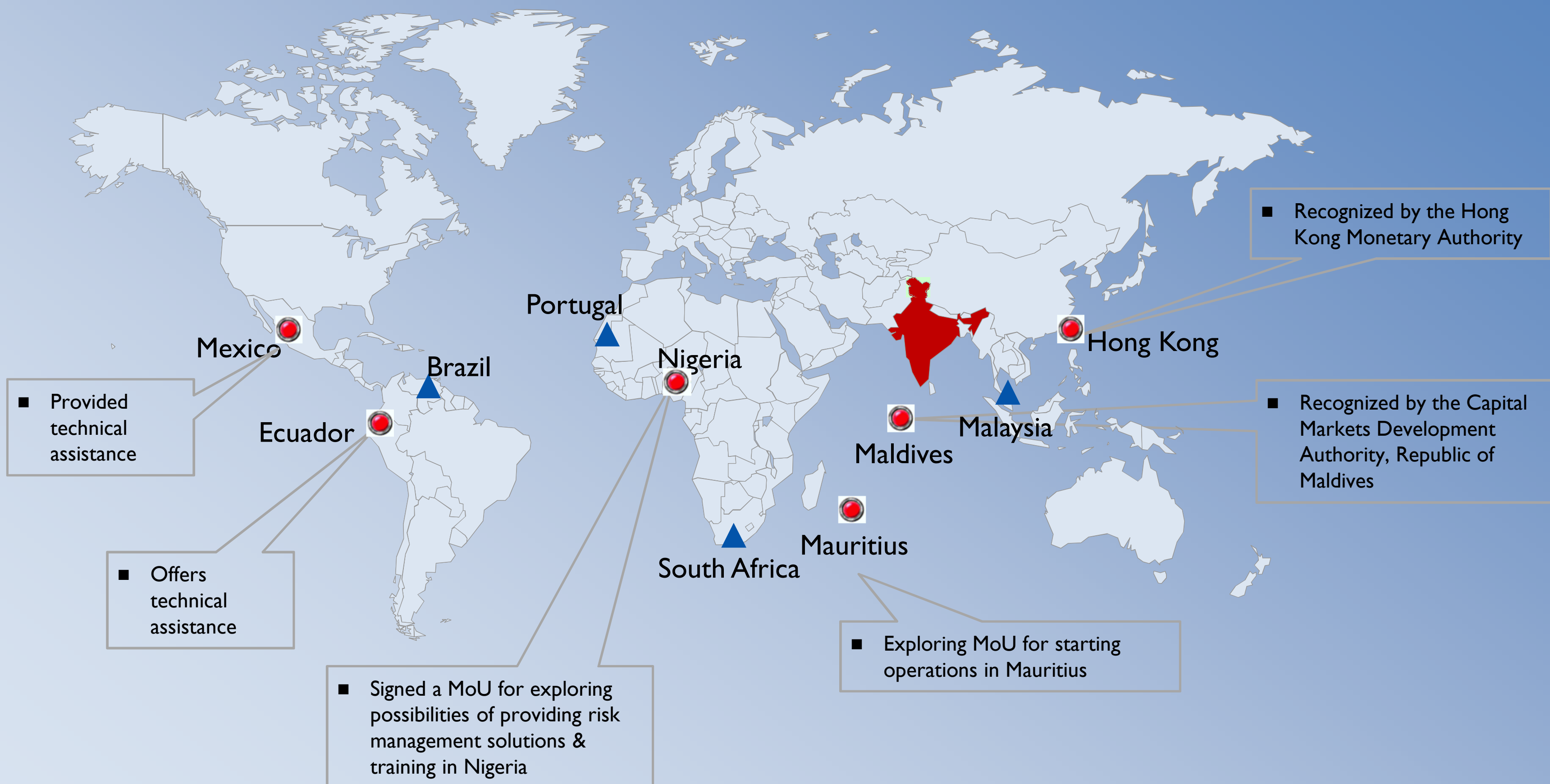


Backed by strong team of 362 analysts

Global Footprint

CARE Ratings
Professional Risk Opinion

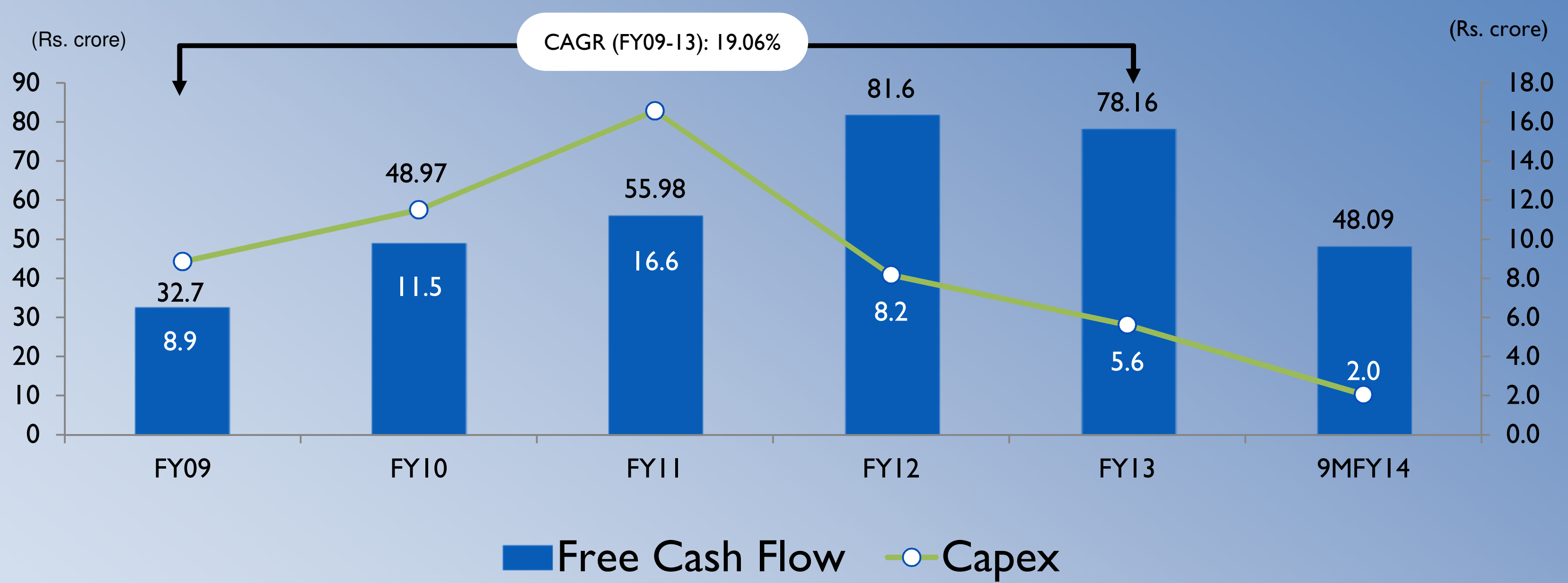
Expanding international presence - only leading Indian rating Company with global play



▲ The Company has along with four partners from Malaysia, Brazil, Portugal and South Africa, launched international credit rating agency named ARC Ratings, SA, in London on January 16, 2014

Strong Financial Position and Profitability

Strong cash flow generation with low capex intensity supports a cash rich balance sheet



- Significant annual cash flow generation enabling strong cash on books of Rs. 441 crore
- Substantial accrual to balance sheet augments shareholder worth – creating value each successive year; 58% payout in FY13 and 69.5% payout for 9M FY14
- Provides sizeable platform to deliver future growth - evaluating organic and inorganic opportunities to create value

Experienced & Professional Management

- Driving a transformational enterprise - hitting the right milestones at the right juncture
- Nurtured into the 2nd largest rating Company in India
- Charting the course for a Global footprint
- Focused on creating value for shareholders
- Pushing innovation agenda - introducing novel services thereby changing industry landscape
- Building transparency - working closely with investors, regulators, policy makers and other market participants
- Developing and upholding confidence in CARE's risk opinions
- At forefront of analyzing and monitoring credit risk since 20 years

D R Dogra - Managing Director

- Over 36 years of experience in financial sector & credit administration
- Certified Associate of Indian Institute of Bankers
- Holds Master's degree in agriculture and in business administration

Rajesh Mokashi - Deputy Managing Director

- Over 29 years of experience in finance, commerce and credit risk sectors
- Before joining CARE, worked for Otis Elevator Company India, DSP Financial Consultants & Kotak Mahindra Finance
- Holds Master of Management Studies degree
- Qualified Chartered Financial Analyst

Experienced & Professional Management

T.N. Arun Kumar
Chief General Manager, Ratings

- 25 years of experience in financial services
- PGDM; CFA; FRM

Navin K. Jain
Company Secretary & Compliance Officer

- 26 years of experience in accounting services
- Masters degree in financial services management & C.S.

Mehul Pandya
Chief General Manager, Business Development

- 18 years of experience in rating services
- MBA; CFA

Milind Gadkari
Chief General Manager, Ratings

- 18 years of experience in credit rating, training of new recruits
- Master's degree in management sciences; CFA

Swati Agarwal Jain
Chief General Manager, Business Development

- 18 years of experience in credit rating, advisory and consultancy
- PGDM

Revati Kasture
Chief General Manager, Research

- 15 years of experience in credit analysis and research services
- C.A.; Cost Accountant

Sanjay Kumar Agarwal
General Manager, Business Development

- 20 years of experience in corporate and infrastructure finance, risk management and banking
- C.A.; ICWA

Amod Khanorkar
General Manager, Ratings

- 21 years of experience in credit rating, valuations and project appraisal in infrastructure sector
- PGDM

Madan Sabnavis
General Manager, Chief Economist

- 27 years of experience in development banking, commercial banking, engineering & commodity markets
- Masters degree in economics

Umesh Ikhe
Chief Technology Officer

- 18 years of experience
- Bachelors Degree in Computer Science; Executive General Management Programme from Indian institute of Management

Josey Joseph
Head of Human Resources

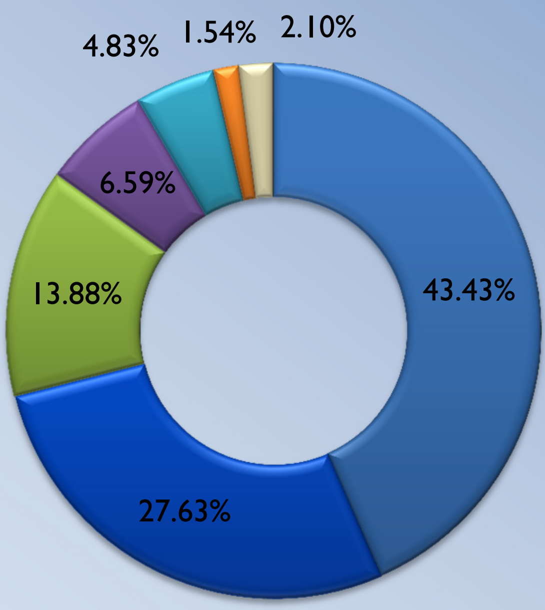
- 19 years of experience in diverse areas within HR
- Maters in Personnel Management

Chandresh Shah
Chief Financial Officer

- 15 years of experience in finance, accounting, taxation and US GAAP
- C.A.

Shareholding Snapshot

100% public shareholding – Professionally managed



- Financial Institutions/ Banks , 43.43%
- Foreign Institutional Investors, 13.88%
- Mutual Funds/ UTI, 4.83%
- Qualified Foreign Investor , 1.54%
- Bodies Corporate, 27.63%
- Individuals, 6.59%
- Others, 2.10%

Top 15 Shareholders as on 31 Dec 2013

Name of the shareholder	Shares as a percentage of total number of shares
IDBI Bank Limited	16.69
Canara Bank	14.97
State Bank Of India	6.31
IL&FS Financial Services Limited	5.90
Bajaj Holdings And Investment Ltd	5.89
The Federal Bank Ltd	3.90
IL&FS Trust Company Ltd	3.44
Aditya Birla Private Equity Trust	2.83
Serum Institute Of India Ltd	2.50
Franklin Templeton Investment Funds	2.46
The Wellington Trust Company	2.37
Russell Investments Limited	1.83
Unit Trust Of India Investment Advisory Services Ltd - A/C Ascent India Fund - III	1.54
Franklin Templeton Mutual Fund	1.30
Kalimati Investment Company Limited	1.22

Value drivers

Second largest ratings Company in India *	▪ Best-in-class operating model with margin leadership ▪ Expansive distribution network ▪ Seasoned management team with superior execution experience ▪ Parentage of marquee banks ▪ Strong origination capabilities and relationship management (Rating relationship with over 7,469 clients)
Driving cost efficiency & productivity	▪ Strong discipline and governance around capital allocation and expenditure ▪ Cost efficient business model driven by CARE Knowledge Centre and Ci3 reduced overall employee costs coupled with higher employee productivity ▪ Owned properties translates to lower operating costs
Strong financial profile	▪ FY09 – FY13 Rating Revenue CAGR of 19.7% ▪ FY09 – FY13 EPS CAGR of 19.6% ▪ FY09 – FY13 Free Cash Flow CAGR of 15.3% ▪ Strong cash position of Rs. 4.41 bn supports multiple growth opportunities as on 31st December 2013

** In terms of rating income*

Value drivers

Committed towards value creation for shareholders

- Dividend friendly track record: Paying dividends since first full year of operations
- Total dividend for FY13 amounts to Rs. 20 per share, 58% payout ratio
- Third interim dividend of Rs. 6 per share for the quarter ended December 2013, Total dividend of Rs. 18 per share for 9M FY2014, amounting to a strong payout ratio of 70%.

Investing in strategic opportunities - to enable robust Long-Term Opportunities for Growth

- Best positioned to capture sector opportunities
- In process of implementing global strategic plan
- To drive penetration in SME segment
- Increase research capabilities
- Leverage brand to nurture risk solutions and advisory business
- Look at organic and inorganic value accretive transactions

ABOUT US

Credit Analysis and Research Limited (CARE Ratings) is the second largest full service rating Company in India. CARE Ratings offers a wide range of rating and grading services across a diverse range of instruments and has over 20 years of experience in the rating of debt instruments and related obligations covering wide range of sectors. The Company's list of clients includes banks and other financial institutions, private sector companies, central public sector undertakings, sub-sovereign entities, small and medium enterprises ("SMEs") and micro-finance institutions, among others. The Company also provides issuer ratings and corporate governance ratings and has rated innovative debt instruments, such as perpetual bonds.*

CARE Ratings is recognized for being knowledge based Company and has continued to work towards deepening the base. The Company provides industry research and economic research. Furthering the knowledge initiatives, the Company has tied up with Knowledge Academy, Ahmedabad to conduct a co-branded certification programme in credit risk assessment. Furthermore, the Company also provides Risk Solutions and Advisory Services through its subsidiary CARE Kalypto.

To enhance its scope of business CARE Ratings has been nurturing global opportunities and made forays in different forms: has a branch in Maldives and MoUs with CRAs in other countries. The Company has also launched a new international credit rating agency 'ARC Ratings' with 4 partners from Brazil, Portugal, Malaysia and South Africa.

The Company has its registered office in Mumbai, and branches in New Delhi, Bengaluru, Chandigarh, Chennai, Hyderabad, Kolkata, Pune, Ahmedabad, Jaipur and Maldives.

**** In terms of rating income FY13***

For further information, please contact:

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Thank you