CARE Ratings

20 YEARS

Celebrating Two Decades of Analytical Excellence

CARE Ratings

Q1 FY14 Results Presentation

CARE Ratings
Professional Risk Opinion

Brief Snapshot

- Second Largest Rating Company in India[1]
- Recurring Nature of Rating Business
- High Margins & Profitability
- International expansion
- Wide Sectoral Coverage
- Diversified Business Mix
- External Rating Committee

CARE Ratings

(1) *In terms of rating income FY13*

CARE Ratings
Professional Risk Opinion

Diversified Business Mix

1. **Ratings**
   - Manufacturing & Services sector
   - Finance sector
   - Small & Medium Enterprises
   - Structured Finance
2. **Research & Gradings**
   - Industry & Customized Research reports
   - CARE Industry Risk Metrics (CIRM) reports
   - Grading services
   - Training
   - Valuations

CARE Ratings
Professional Risk Opinion

Diversified Business Mix contd....

3. **International expansion**
   - Started operations in Maldives
   - JV partner for setting up international rating agency – ARC Ratings
   - Other markets
4. **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
5. **Investment income**

Performance overview

CARE Ratings
Professional Risk Opinion

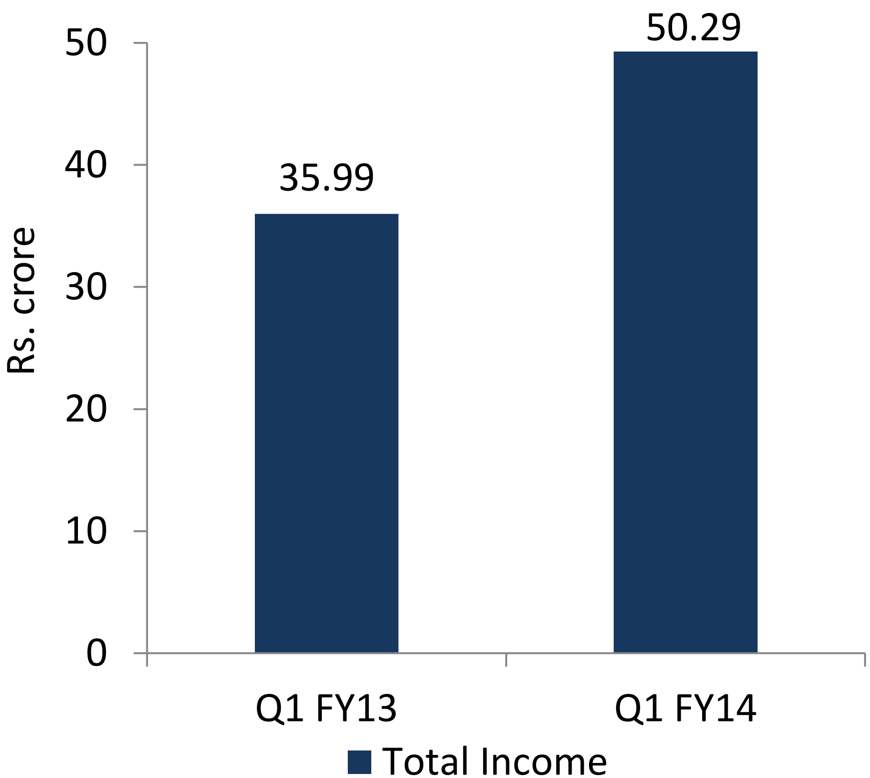
Key takeaways

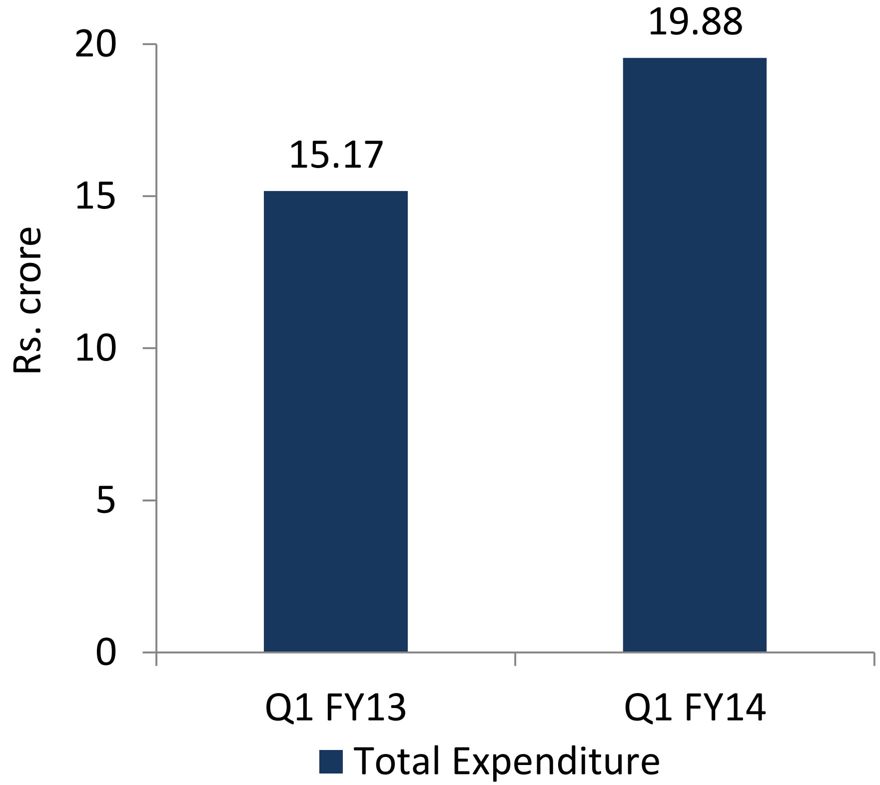
- Top line growth of 39.7%
- Rating revenue growth of 25.3%
- Substantial expansion of debt volumes in both bank facilities and debt segments
- PBDT margins at 61.5% and PAT margins at 48.3%
- 596 new clients added during Q1FY14
- Interim dividend announced of Rs. 6 per share (Face value of Rs. 10 per share)

Financial Performance – Q1 FY14

Rs. Crore	Q1 FY13	Q1 FY14	Growth (%)
Rating Revenue	27.50	34.45	25.3
Other Revenue	0.04	0.23	475.0
Total revenue	**27.54**	**34.68**	**25.9**
Other income	8.45	15.61	84.7
Total income	**35.99**	**50.29**	**39.7**
Employee cost	11.96	15.16	26.7
Other expenses	2.76	4.19	51.8
Depreciation	0.45	0.53	17.8
Total Expenses	**15.17**	**19.88**	**31.0**
PBDT	**21.28**	**30.94**	**45.4**
PBT	**20.82**	**30.41**	**46.0**
PAT	**16.80**	**24.30**	**44.6**

Income and Expenditure

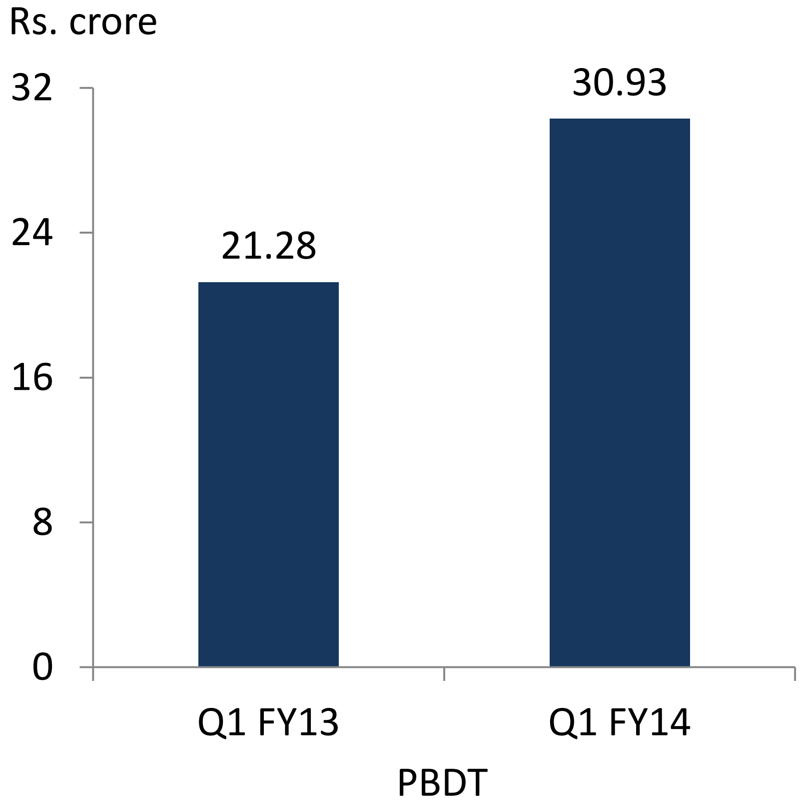


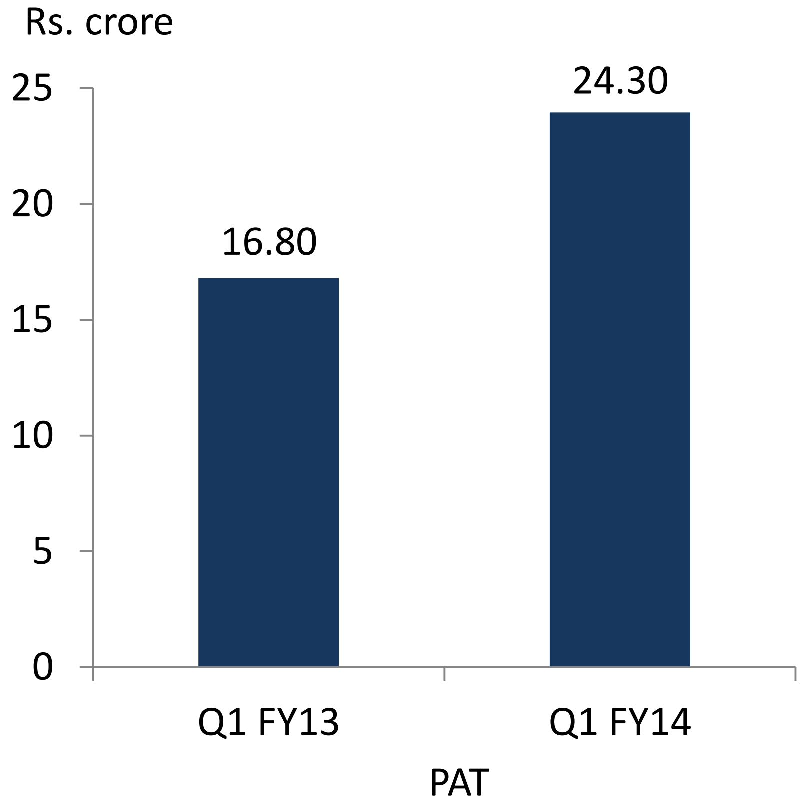


-Total income increased by 39.7%, while total expenditure by 31.0%
-Higher volumes of debt rated contributing to growth
-Other income up due to higher income from FMP investments which have matured
-Expenditure up on account of higher staff expenses involving increase in head count of human resources

CARE Ratings
Professional Risk Opinion

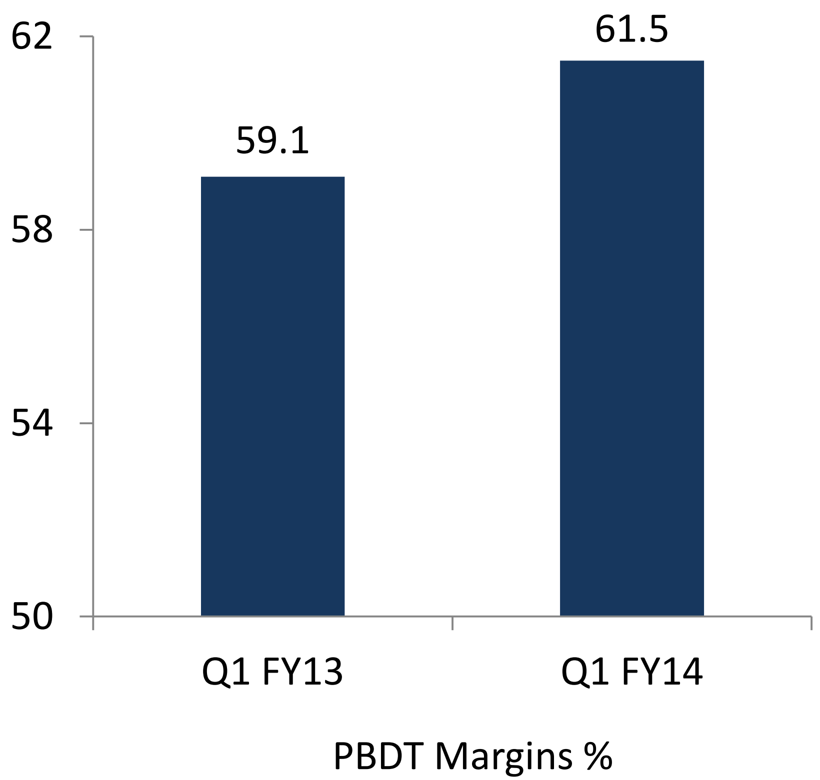
Profitability

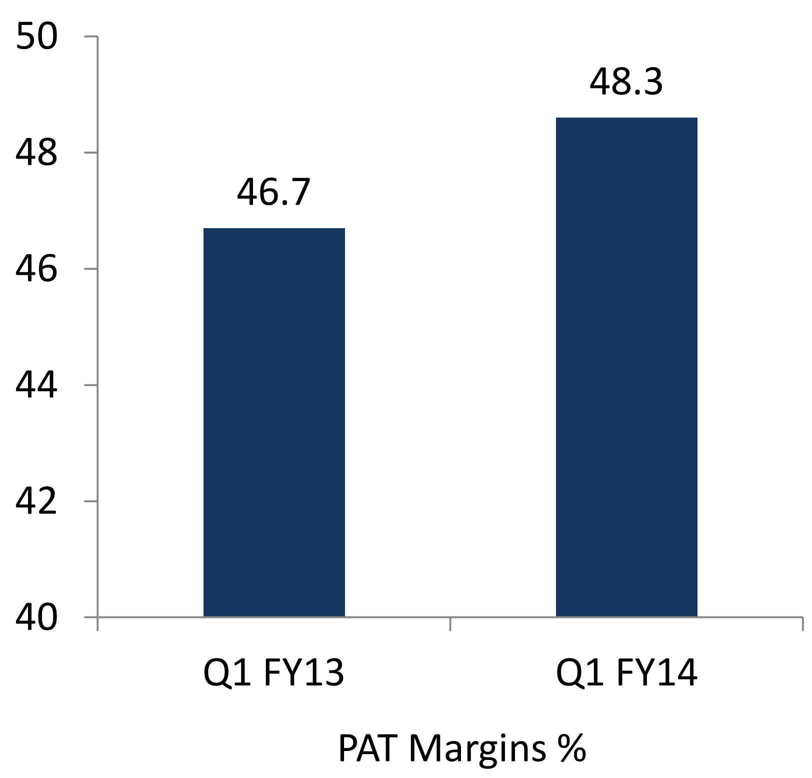




PBDT increased by 45.3%, while PAT by 44.6%

Profit Margins – PBDT & PAT



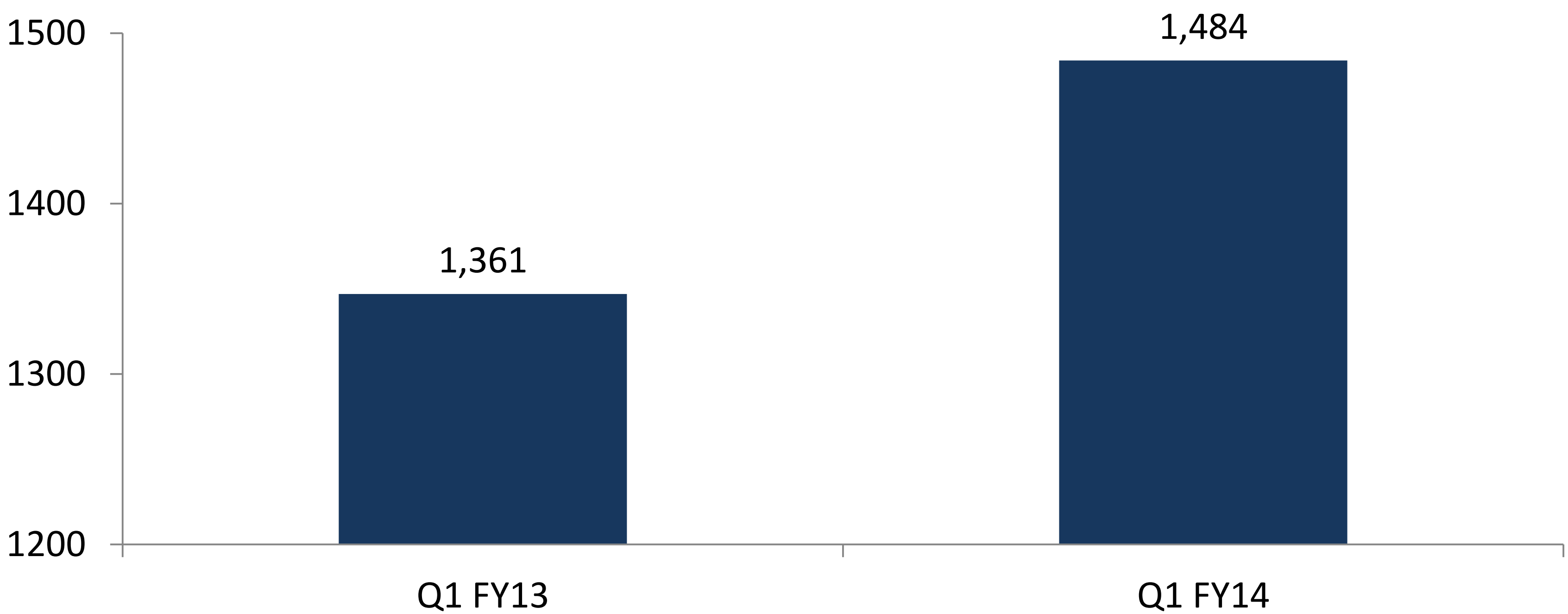


Both the PBDT and PAT margins witnessed an improvement in Q1 FY14

CARE Ratings
Professional Risk Opinion

Business Profile

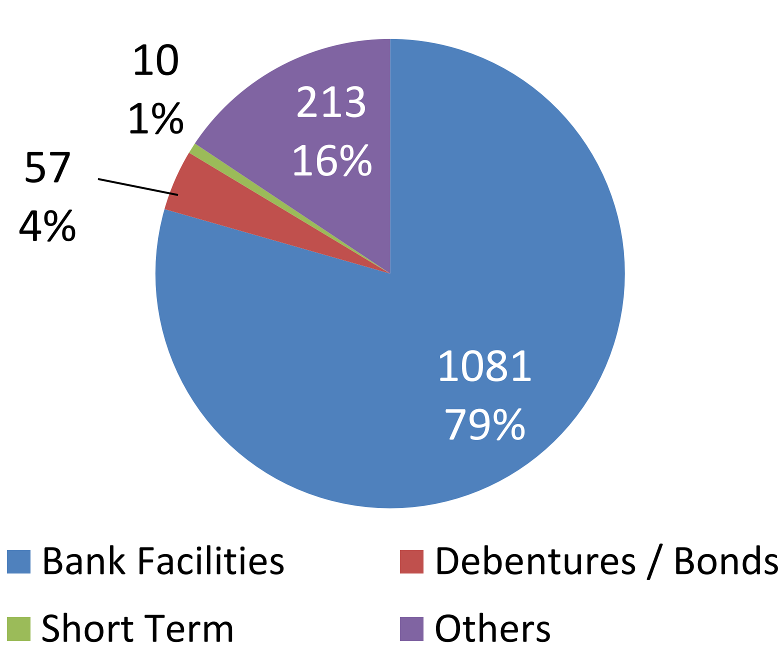
No of Assignments



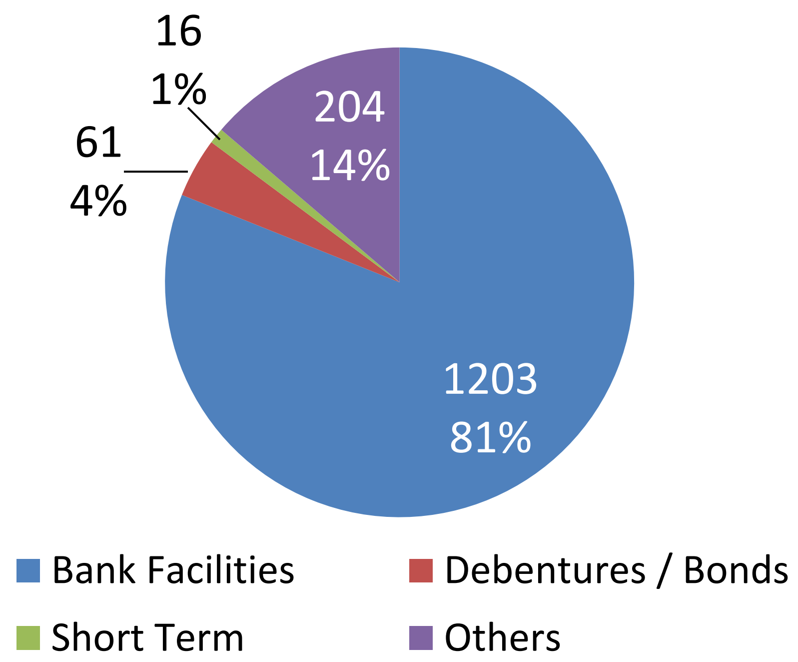
Total number of assignments increased by 9.0% to 1,484 in Q1 FY14

Break up - Number of Assignments

Q1FY13

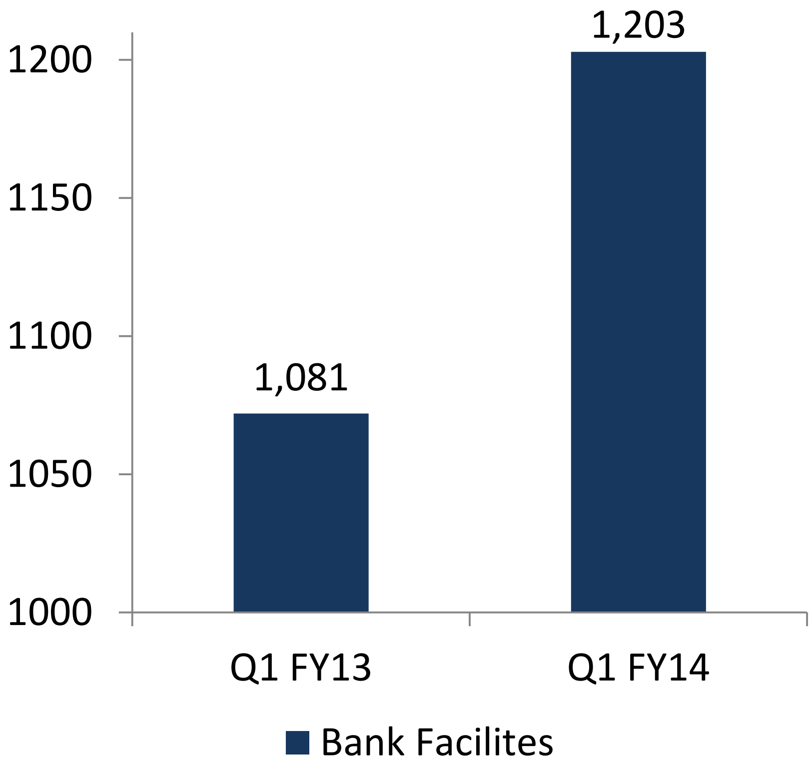


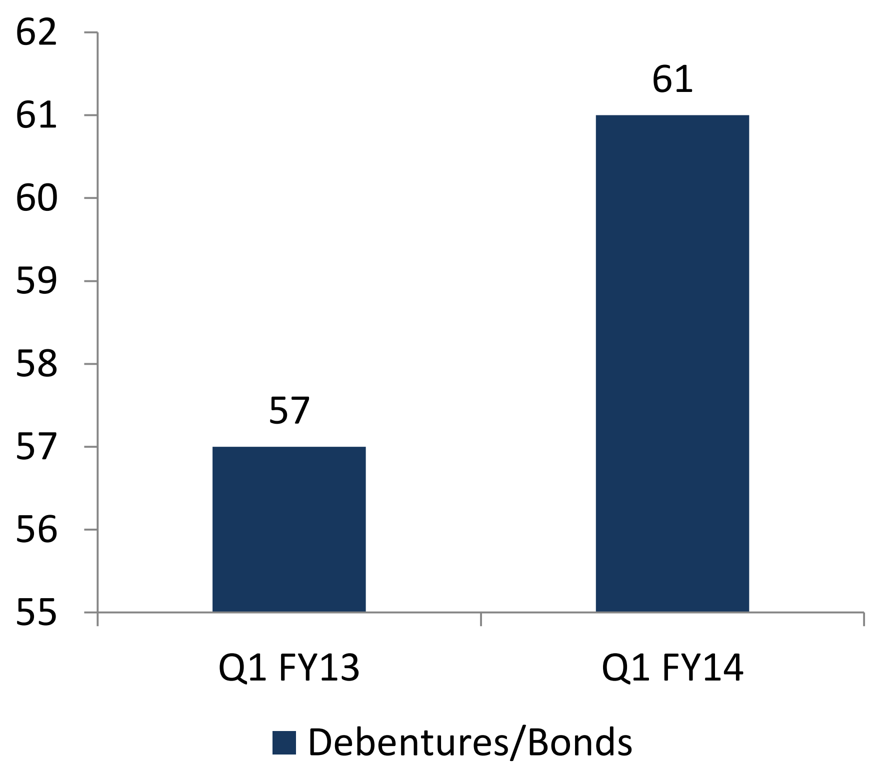
Q1FY14



CARE Ratings
Professional Risk Opinion

Bank Facilities & Debentures/Bonds

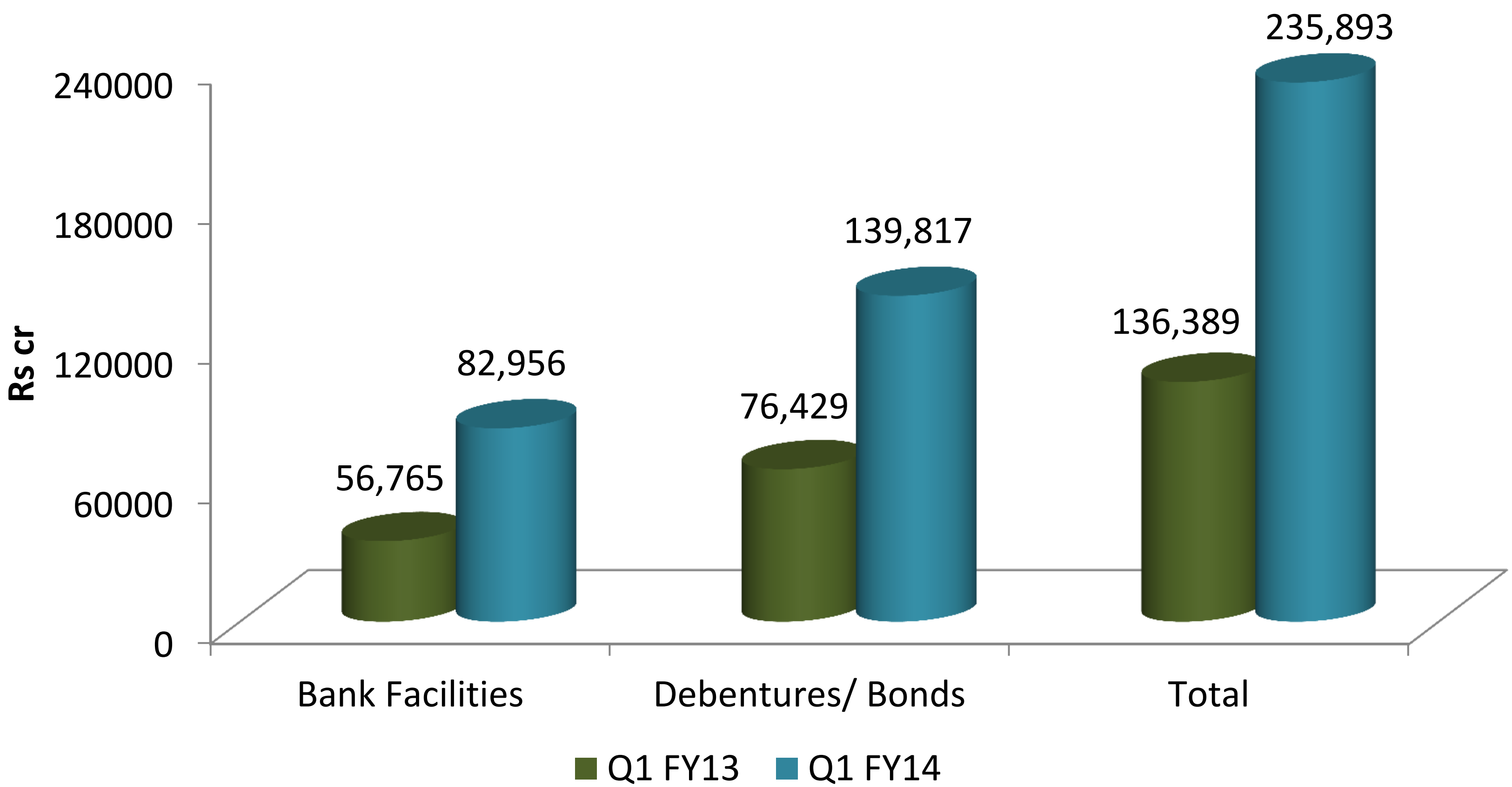




No of bank Facilities rated saw an increase of 11.2% while the number of debentures rated Increased by 7.0%

CARE Ratings
Professional Risk Opinion

Volume of Debt Rated

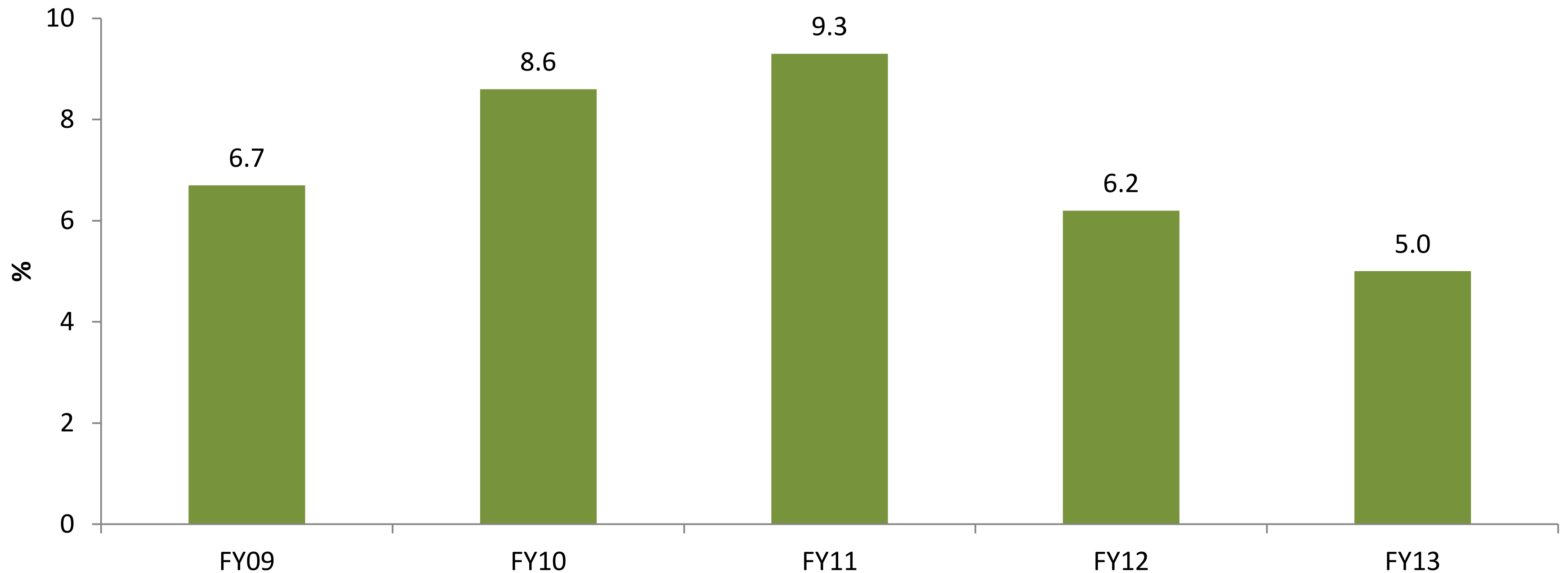


Volume of debt rated increased in both bank facilities and debenture/bond segments

CARE Ratings
Professional Risk Opinion

Economic Backdrop

Gross Domestic Product



FY14 GDP Prospects

Budget – 6.7%-6.9%

GoI – 5.5% - 6.0%

RBI – 5.5%

CARE 5.4%

CARE Ratings
Professional Risk Opinion

Economy round up so far - Positives

Cumulative rainfall (1st June to 31st July): Actual 528.1 mm, Normal 452.4 mm and Departure +17%

Area under cultivation improved: As on 26th July total area under cultivation 747.78 lk hectare (635.05)

Inflation under control: WPI inflation moderated to 4.78% in Q1 FY14

CARE Ratings
Professional Risk Opinion

Economy round up so far - Negatives

Rupee depreciating: declined by 9.8% in Q1 FY14

RBI tightened liquidity: increased the MSF rate to 300 bps above repo rate i.e. 10.25%, LAF auctions to be 0.5% of NDTL, banks required to maintain CRR balance of 99%

IIP growth stagnant: 0.1% Apr – May FY14 (0.6%)

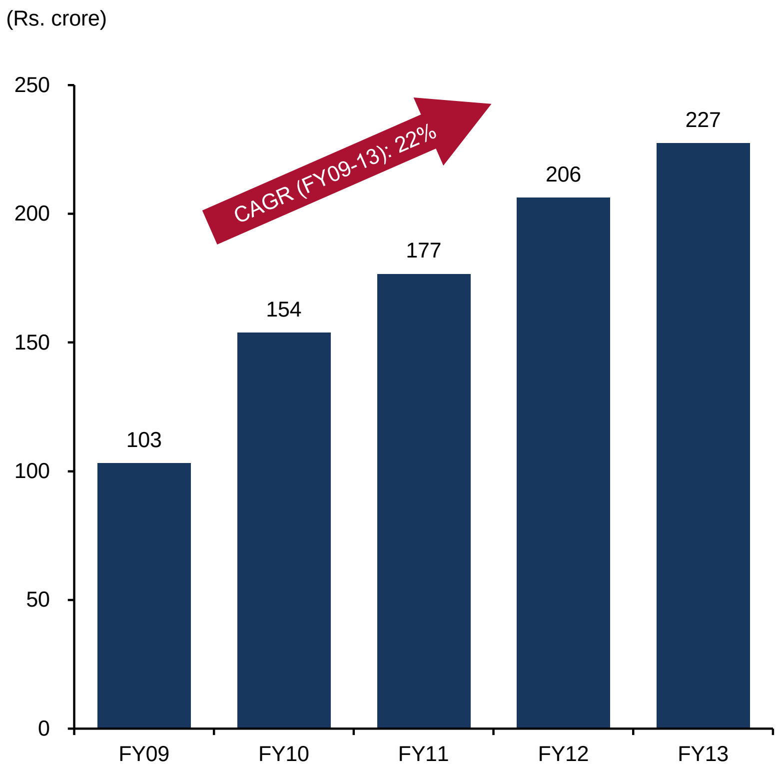
Core Sector growth: 1.6% Q1 FY14 (6.9%)

Growth in credit sluggish: 2.9% in Q1 FY14 compared with 3.3% in Q1 FY13

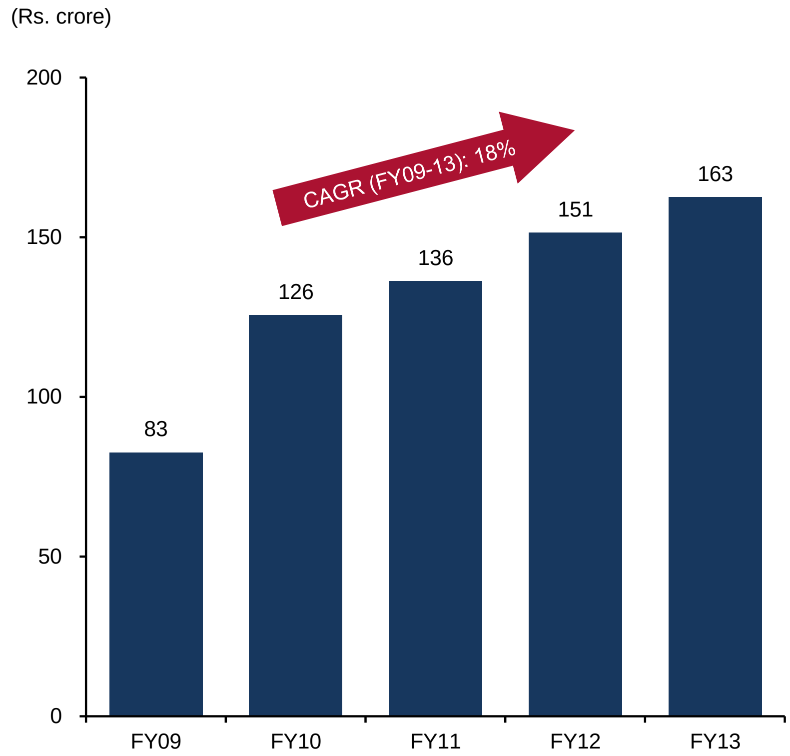
Financial Performance for past 5 years

Strong Financial Position and Profitability

Total Income



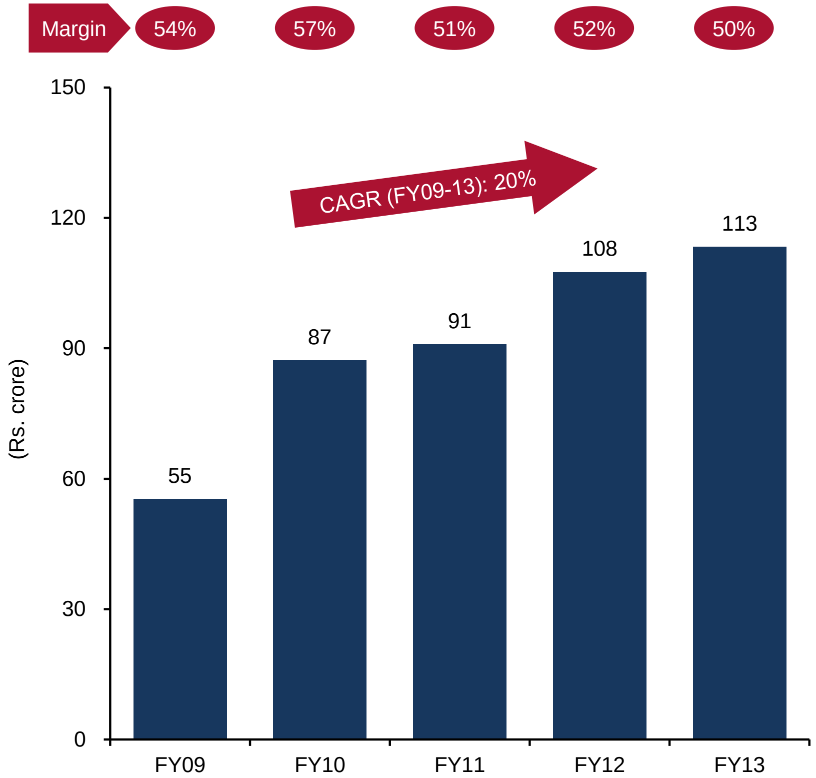
EBIDTA



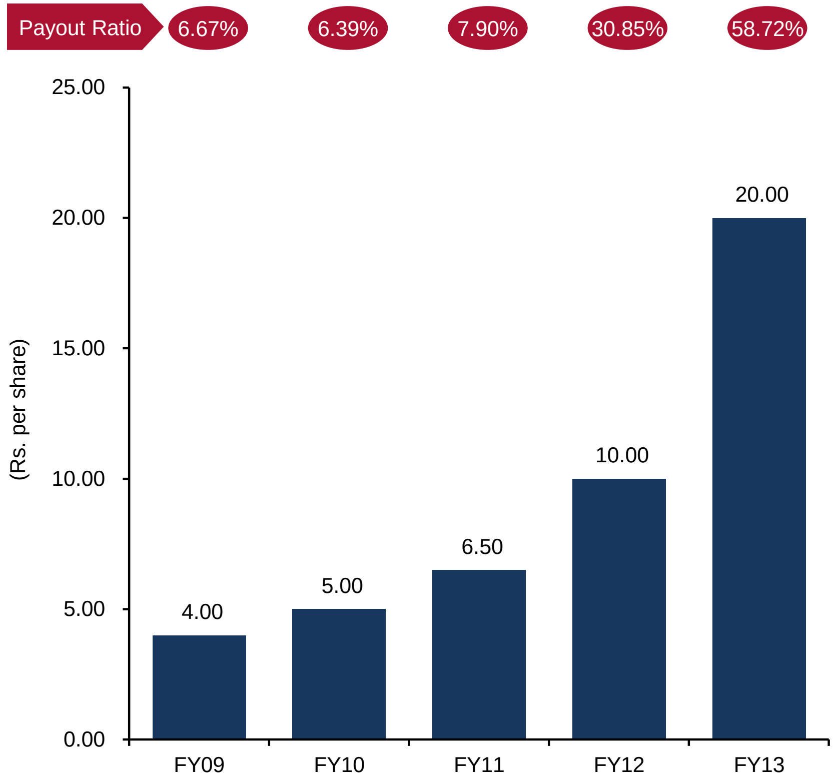
CARE Ratings
Professional Risk Opinion

Strong Financial Position and Profitability

Profit After Tax



Dividend per share of Rs. 10

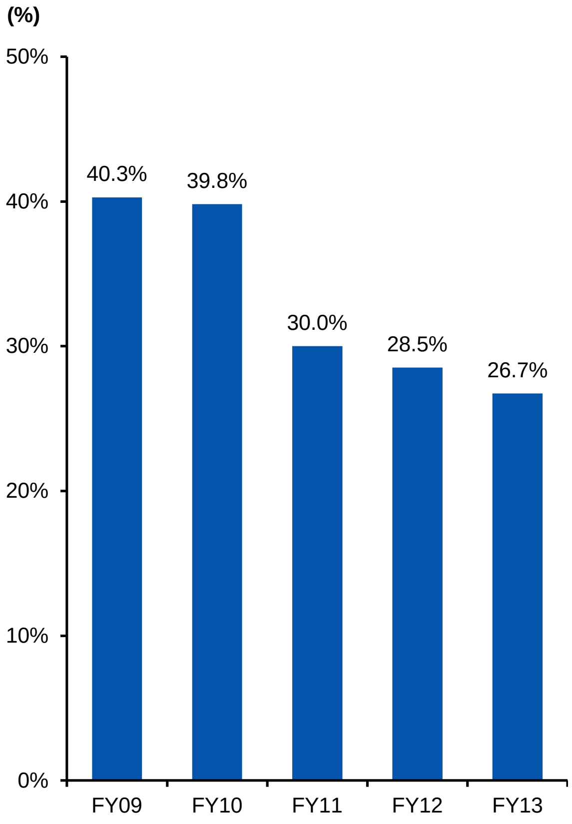


60% Interim dividend declared for Q1 FY14

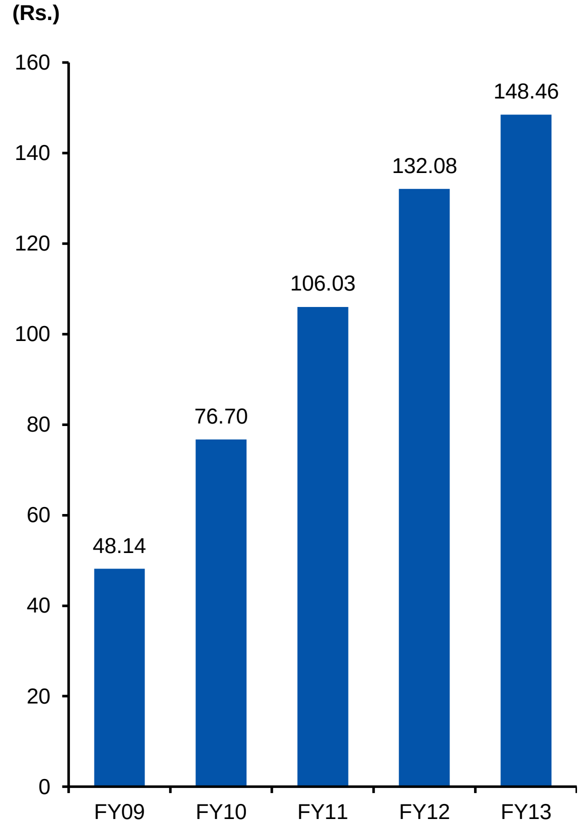
CARE Ratings
Professional Risk Opinion

Key Ratios

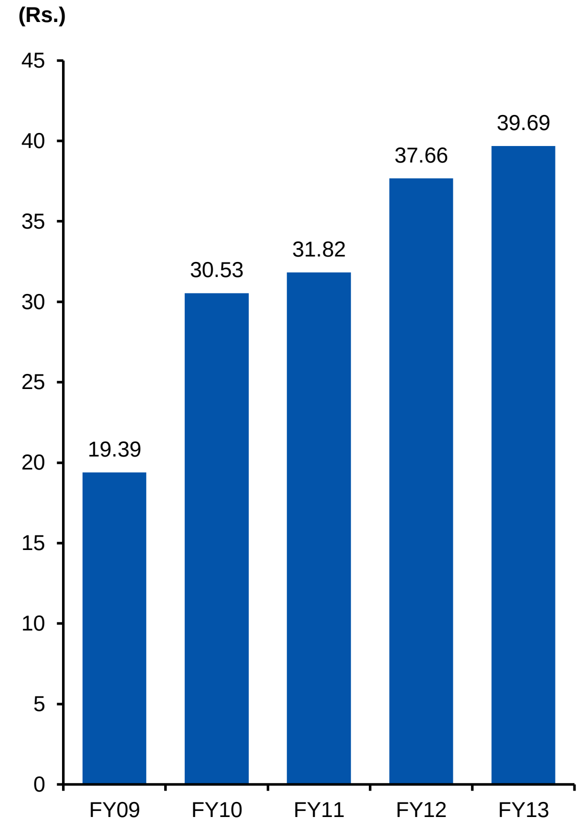
Return on Networth



Book Value Per Share



Earnings Per Share



CARE Ratings
Professional Risk Opinion

Key sector challenges ahead

Sector challenges ahead

- Economic growth low presently
  - Bank credit and debt markets subdued and need to recover fast
- Interest rates will be lowered once the rupee stabilizes
- Investment of Rs. 1.5 lkh crore on infrastructure projects as announced by FM
  - This can provide boost to the debt market during the second half

CARE Ratings
Professional Risk Opinion

Thank you

CARE Ratings
Professional Risk Opinion