

Mumbai, 30th January, 2018

Q3 FY18 and 9M FY18 Results

The Board of Directors of CARE Ratings approved the Q3 FY18 and 9M FY18 results in the Board Meeting held on Tuesday the 30th of January 2018.

Highlights: 9M FY18

- Rating Revenue increases by 11.97%
- Operating profit up by 8.81%, Operating profit margin declined from 67.3% to 65.8% mainly on account of ESOP charges of Rs.5 crore
- Addition of 2,737 new clients in 9M FY18
- 3rd Interim dividend of Rs. 6/- per share declared
- 6,696 instruments rated during the quarter
- 10.24% increase in volume of fresh debt rated

Highlights: Q3 FY18

- Rating Revenue increases by 14.16%
- Operating profit up by 4.70%, Operating profit margin declined from 65.9% to 60.9% mainly on account of ESOP charge of Rs. 3.73 crore
- Addition of 843 new clients in Q2FY18
- 2,512 instruments rated during the quarter
- 18.9% increase in volume of fresh debt rated

The Indian Accounting Standards (Ind AS) became applicable to the Company from April 1, 2017. The current quarter results are prepared in accordance of Ind AS and the previous year / quarter results have been restated as per Ind AS.

Q3-FY18 was characterized by increasing growth in IIP as industry adjusted to the new tax regime with restocking of goods contributing to the same. However, while growth in bank credit was higher for the period 1st April 2018 – 5th January 2018, it was concentrated in the retail and agriculture segments. Growth in credit to the manufacturing and services sectors was still negative. With CPI inflation increasing, the RBI had also signaled that it would be looking closely at price developments. Total debt issuances in the corporate bond market was lower for the period April-December 2017 at Rs 4.55 lakh crore (Rs 5.07 lakh crore). On the credit rating side, the MCR has shown stability at 1.06 for 9M-FY18 compared with 1.08 in 9M-FY17 while the quality of debt denoted by CDQI was lower at 89.02 in December as against 90.35 in September 2017. The results of the company need to be viewed against this background.

Rating income increased by 11.97% from Rs.202.7 crore in 9M FY17 to Rs.226.9 crore during 9M FY18 mainly due to new business and surveillance income. Total volume of fresh debt rated increased from Rs 9.44 lakh crore to Rs 10.40 lakh crore during this period with 6,696 instruments being rated. Other income decreased from Rs. 27.4 crore in 9M FY17 to Rs. 17.4 crores during 9M FY18 mainly due to Ind AS impact on accounting for fair value of investments.

Total expenses increased by 16.5% mainly on account of ESOP charge of Rs.5.crore, due to increase in SME marketing teams and brand building expenses.

Operating profit margin stood at 65.8% and Net profit margin was 49.5%.

The Board has announced third interim dividend of Rs 6/- per share which when combined with the interim dividend of Rs.6 /- share for the second quarter and first quarter cumulates to Rs 18/- share in the 9MFY18.

Rating income increased by 14.2% from Rs.65.5 crore in Q3 FY17 to Rs. 74.8 crore during Q3 FY18 mainly due to new business and surveillance income.

Commenting on the results Rajesh Mokashi, MD & CEO, said, 'There do appear to be signs of a turnaround in the economy which has adjusted well to the GST regime. We do expect some acceleration in the coming months, with FY19 likely to start off on a better note. While there is some interest being shown by companies in investing in projects, they are still watchful of the progress made on various fronts including the IBC resolution and the proactive policies of the government including the forthcoming Budget which will give direction and result in positive outcomes.'

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ABOUT US

CARE Ratings (until recently called Credit Analysis and Research Limited), 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 now entered its 25th year 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 has a subsidiary CARE (Ratings) Africa Private Limited (CRAF) in Mauritius. The company have two wholly owned subsidiaries in Mumbai, India namely CARE Risk Solutions Private Limited and CARE Advisory Research & Training Limited. The Company has its registered office in Mumbai, and branches in Ahmedabad, Bengaluru, Chandigarh, Chennai, Coimbatore, Hyderabad, Jaipur, Kolkata, New Delhi, and Pune. The company has also established a subsidiary in Nepal, which is expected to commence operation in due course subject to regulatory approvals.

*** In terms of rating income FY17**