

Mumbai, 31st July, 2019

Q1-FY20 Results

The Board of Directors of CARE Ratings approved the financial results for the quarter ended June 2019 in the Board meeting held on Wednesday, the 31st July, 2019.

Consolidated Financial Results

CARE Ratings consolidated Total income for the quarter ended June 30, 2019 is Rs.57.73crore compared with Rs.64.56crore in the comparable quarter previous year. Consolidated income from operations for the quarter ended June 30, 2019 is Rs. 49.92 crore as against Rs. 59.99 crore in the quarter ended June 30, 2018. Profit after tax moderated to Rs. 13.49 crore compared with Rs. 25.16 crore in the comparable quarter last year.

Standalone Financial Results

CARE Ratings standalone Total income for the quarter ended June 30, 2019 is Rs.52.96crore compared with Rs.61.66crore in the comparable quarter previous year. Standalone income from operations for the quarter ended June 30, 2019 is Rs. 45.22crore as against Rs. 57.42crore in the quarter ended June 30, 2018. Profit after tax moderated to Rs. 13.09crore compared with Rs. 25.55 crore in the comparable quarter last year. PAT moderated mainly due to dip in income from operations, increase in employee cost and increase in other expenses.

The Board of Directors have recommended dividend of Rs. 3/- per share (of Rs. 10/- face value) for the quarter ended June 30, 2019.

Major factors affecting results of financial year ended March 2019

The prolonged period of headwinds faced by the NBFC sector since the end of the second quarter of FY19 had its impact on the borrowings by this crucial segment of the economy. With the capex related borrowings of the corporate sector also not picking up, the performance of the company got impacted. Further, rating income is a function of availability of adequate information (including audited results) for conclusion of ratings and as such, can impact the quarterly rating revenues, especially in the first quarter.

Operational Data

For the quarter ended June 30, 2019, your company has rated total debt amounting to Rs.3.90 lakh crore compared with Rs.3.81 lakh crore in the quarter ended June 30, 2018. This comprises Rs.1.91lakh crore of bonds, Rs.1.17lakh crore bank loans and Rs.0.82lakh crore short term ratings (including Commercial Paper) for the quarter ended June 30, 2019.

Economic backdrop

Various challenges on the economy front including high NPAs in the banking system, stagnant private investment and lower consumption demand resulting subdued economic growth continued

to weigh on the economy during the first quarter of the fiscal year 2019-20. The liquidity condition in the system, however, improved during the quarter with banking system liquidity turning into surplus. While the price pressures are increasing especially in terms of food inflation, industrial activity has remained subdued during the quarter.

Total corporate bonds raised during Q1 FY20 amounted to Rs. 1.67 lakh crore, 44% higher than the issuances worth Rs. 1.16 lakh crore in the corresponding quarter last year. The bank credit growth (over March) witnessed further contraction from 0.1% in Q1 FY19 to 1.3% in Q1 FY20. During the period April-May 2019, the industrial and services sector too witnessed contraction in the bank credit. The bank credit in the industrial sector contracted by 2.5% in May 2019 over March 2019 compared with 2% in the previous period. Likewise, the services sector credit off take contracted at a faster pace at 5.3% compared with contraction 2.8% during the first 2 months of the year.

Citing growth concerns and low inflation, RBI further lowered the repo rate by 25 bps to 5.75% in June'19 and the stance was changed to accommodative from neutral.

'Our view on the state of the economy is cautious and the future growth of our business will be contingent on how the financial markets fare in the coming months. Overall growth in GDP for the year would be just above last year's growth, but the crux would be a pick-up in investment. The NBFC problem is still in the process of being resolved by the government and RBI and the early resolution will have a bearing on the performance of the bond market,' said Mr T.N. Arun Kumar, Interim CEO.

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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 over 25 years' 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 microfinance institutions, among others. The Company also provides issuer ratings and corporate governance ratings and offers rating of innovative debt instruments, such as REITs, expected loss (for infra), perpetual bonds etc. 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 and CARE Ratings Nepal Limited in Nepal. The company has 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, Andheri, Bengaluru, Chandigarh, Chennai, Coimbatore, Hyderabad, Jaipur, Kolkata, New Delhi, and Pune.

*** In terms of rating income FY19.*