

Press Release

Financial Results for Q4 FY 22 and FY 2021-22

May 28, 2022



The Board of Directors of CARE Ratings Limited approved the financial results for Q4 FY22 and FY22 in the Board meeting held on May 28, 2022.

State of the Economy

The Indian economy has reasonably weathered the impact of the third wave of the pandemic which peaked in January 2022. The pace of recovery continues to be gradual and uneven across segments. While several economic indicators point towards an improvement in the economic activity and a slow return to normalcy, but consumption still appears weak and significant improvement in consumption will be critical in stimulating the private investment cycle.

Fresh headwinds because of the Russia-Ukraine conflict, elevated commodity prices and global supply-chain woes have created economic uncertainties. This has also resulted in strong upward pressure on inflation. In midst of the global turmoil, the Indian economy is still relatively better placed, with GDP growth projected over 7% in FY23.

Fundraising by businesses showed a mixed scenario in FY22, as issuances in the corporate bond market remained muted while commercial paper issuances were upbeat. Corporate bond issuances in FY22 were at Rs 5.8 lakh crore, down 24% from the previous year. Total CP issuances were at Rs 20 lakh crore in FY22, higher by 16% in comparison to FY21.

Gross bank credit grew by 9.6% in FY22 as against 4.6% in FY21. Bank credit to the Industry and Services sector improved to 7.1% and 8.9%, respectively. In FY22, the share of the Retail sector in the total credit offtake was the largest at 28%, followed by Industry and Services at 27% and 26%, respectively.

Standalone results

CARE Ratings standalone total income decreased by 1.6% from Rs.251.61 crore in FY21 to Rs.247.63 crore in FY22, majorly due to certain reversals of provision last year which was not there in current year. However, the rating income has increased by 4% in FY22 largely contributed by increase in initial ratings business. Total expenses have marginally increased by 1.3% during this period. Net profit has been almost at same level at Rs.84.47 Crore in FY22.

Operating profit margin and net profit margin were 39.2% and 34.1% respectively in FY22 and are at almost same level as last year.

For the fourth quarter total income decreased by 10.5% from Rs. 74.82 crore to Rs. 66.94 crore which is largely impacted by reversal of provision last year which was not there in the current year. Net profit increased by 30.9% from Rs. 22.09 crore Q4FY21 to Rs. 28.92 crore in Q4FY22.

Consolidated Results

CARE Ratings consolidated total income decreased by 1.8% percent from Rs. 279.74 Crore in FY21 to Rs. 274.82 crore in FY22. However, total income has increased by 1.5% from last year excluding the provision reversal last year. Total expenses have increased by 9.4% during this period. Net profit decreased from Rs.90.97 crore to Rs.76.83 crore mainly due to provisions made on conservative basis in one of our subsidiaries for the exposure to Sri Lanka business. Hence, net of provisions, residual exposure to Sri Lanka stands at Rs. 2.36 Cr. We are hopeful of recovery once the situation in Sri Lanka improves.

For the fourth quarter total income decreased by 14.3% from Rs. 85.25 crore to Rs. 73.06 crore which is largely impacted by reversal of provision last year, which was not there in current year, while net profit decreased from Rs. 26.49 crore to Rs. 23.31 crore as majority of provisions mentioned above have been taken in this quarter.

The consolidated financials include those of CARE Ratings and its four subsidiaries.

The Board of Directors has recommended a final dividend of Rs. 10/- per share (of Rs. 10/- face value) which will take the total dividend declared for the year to Rs. 17/- per share.

Besides, in line with the strategy of diversification of business, the Board approved the following for its wholly owned subsidiaries:

- An equity capital infusion of Rs. 33.5 Cr for strengthening the product profile and sales franchise of CARE Risk Solutions Pvt. Ltd.
- An equity capital infusion of Rs. 10 Cr into CARE Advisory Research & Training Ltd. to strengthen the advisory, consulting and ESG businesses.

‘While the Indian economy is relatively better placed amidst global turbulence, we need to be cautious of the global headwinds. Driven by supply bottlenecks and the war situation, inflation has emerged as a big cause of concern not just for India but globally. The resultant monetary tightening globally and its impact on economic growth and financial markets warrants careful monitoring. The Government has strong capex plans for FY23 and the private investors were also showing encouraging intent of investment. However, the recent global and domestic uncertainties could cause some delay in private investment pick-up, said **Ajay Mahajan, MD and CEO of CARE Ratings Ltd.** ‘We believe that given our focus on new ratings business and tapping new opportunities for non-ratings business, we should be able to remain on track for developing CareEdge as an Analytics focussed organisation’, he further added.



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Investor Presentation

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