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# ***Q3 and 9M FY16 Financial Results***

**D. R. Dogra**  
***MD & CEO***

# Disclaimer

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*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.*

# Contents

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**Highlights**

Financial & Business Performance

MCR / CDQI

New Developments

Economic Backdrop

# Highlights: Q3-FY16

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- **Financial Indicators**

- Growth in Operating Revenue of 0.81% in Q3-FY16 over Q3-FY15
- Rating Income increases by 1.01% in Q3-FY16 over Q3-FY15
- Total Expenses decrease by 10.24%
- EBITDA margins at 64.60% and PAT margins at 41.94% in Q3-FY16
- 660 new clients added during Q3-FY16

- **Business Profile**

- Total volume of new debt rated is Rs 2.3 lakh crore in Q3-FY16 as against Rs 1.98 lakh crore in Q3-FY15
- Total number of instruments rated were 1,751

# Highlights: 9M-FY16

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- **Financial Indicators**

- Growth in Operating Revenue of 5.71% in 9M-FY16 over 9M-FY15
- Rating Income increases by 5.45% in 9M-FY16 over 9M-FY15
- Total Expenses decrease by 2.76%
- EBITDA margins at 64.55% and PAT margins at 41.97% in 9M-FY16
- 2,126 new clients added during 9M-FY16

- **Business Profile**

- Total volume of new debt rated is Rs 7.36 lakh crore in 9M-FY16 as against Rs 6.49 lakh crore in 9M-FY15
- Total number of instruments rated were 5,002
- Employee count at 565 as on December 31, 2015

# Contents

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Highlights

**Financial & Business Performance**

MCR / CDQI

New Developments

Economic Backdrop

# Financial Performance

Rs crore	Q3-FY15	Q3-FY16	Growth	9M-FY15	9M-FY16	Growth
Rating Revenue	61.69	62.32	1.01%	178.20	187.91	5.45%
Other Operating Revenue	0.73	0.62	-15.84%	1.16	1.69	45.90%
<b>Total Revenue</b>	<b>62.43</b>	<b>62.93</b>	<b>0.81%</b>	<b>179.36</b>	<b>189.61</b>	<b>5.71%</b>
Other Income	2.84	0.99	-65.04%	40.36	6.14	-84.78%
<b>Total Income</b>	<b>65.26</b>	<b>63.93</b>	<b>-2.05</b>	<b>219.72</b>	<b>195.75</b>	<b>-10.91%</b>
Total Expenses	26.26	23.57	-10.24%	74.44	72.38	-2.76%
EBIDTA	40.18	41.30	2.77%	149.14	126.35	-15.28%
Operating Profit	36.17	39.36	8.84%	104.93	117.23	11.72%
PAT	26.24	26.81	2.17%	105.24	82.16	-21.93%
EBIDTA margin	61.57%	64.60%		67.87%	64.55%	
Operating Profit margin	57.94%	62.55%		58.50%	61.83%	
PAT Margin	40.21%	41.94%		47.90%	41.97%	

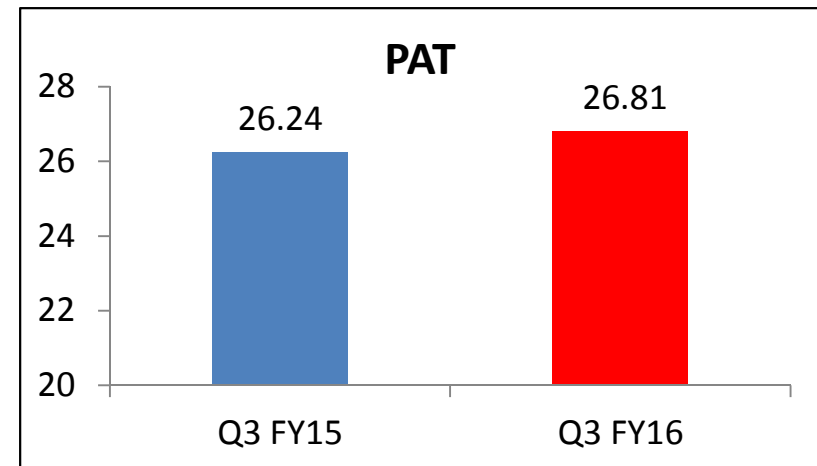
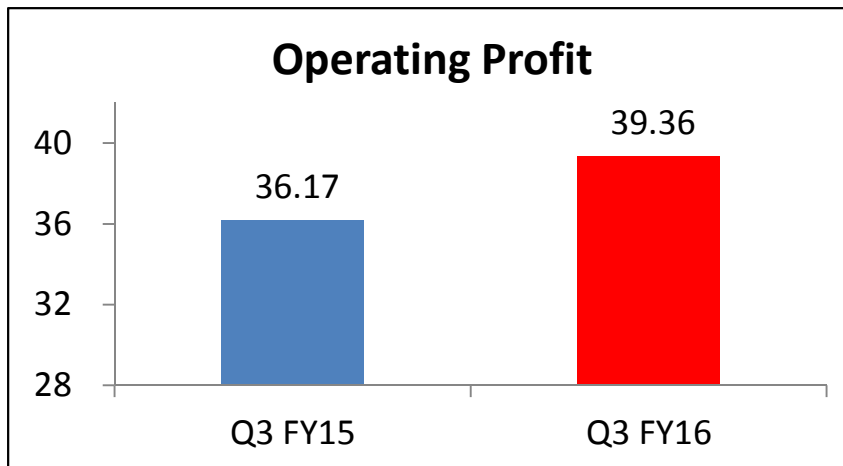
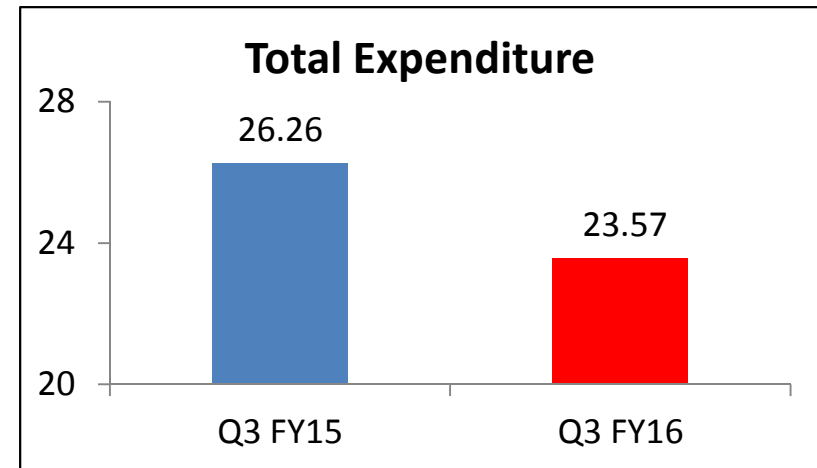
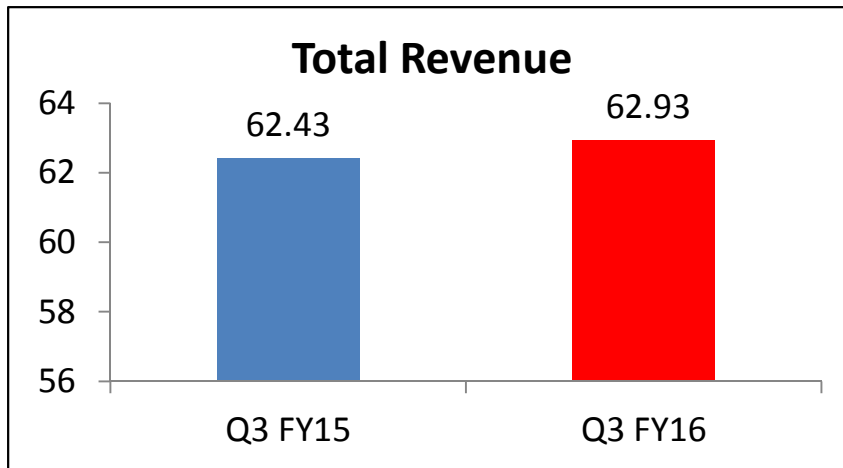
# Explanation for Other Income

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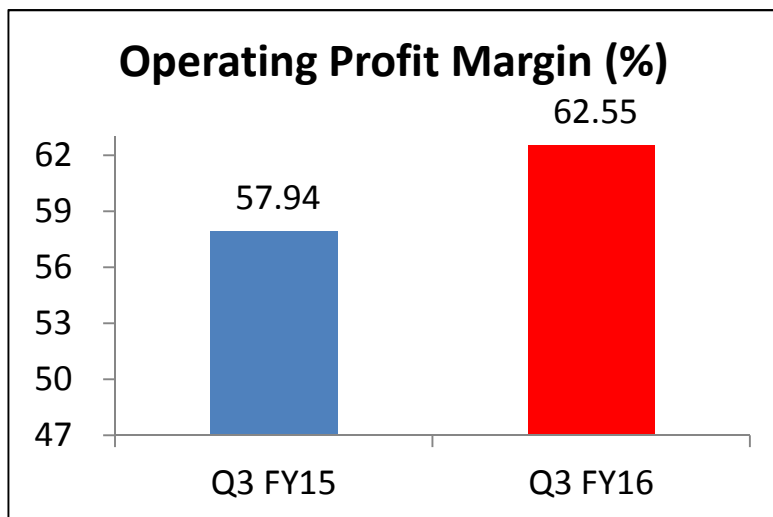
- The pool of investible surplus has come down after the special dividend payment in FY15 by almost Rs. 220 crores.
- The Company has stepped up dividend payout post listing.
- The Company follows a prudent practice of investing in Fixed Maturity Plans (where we need to stay invested for 3 years to lower our tax outgo), in Equity MFs, Duration Products, etc. income on which is booked only on redemption / maturity.
- There is no loss of income but only timing difference in recognition of income from these investments.



# Financial Performance:Q3-FY16 (Rs. crore)

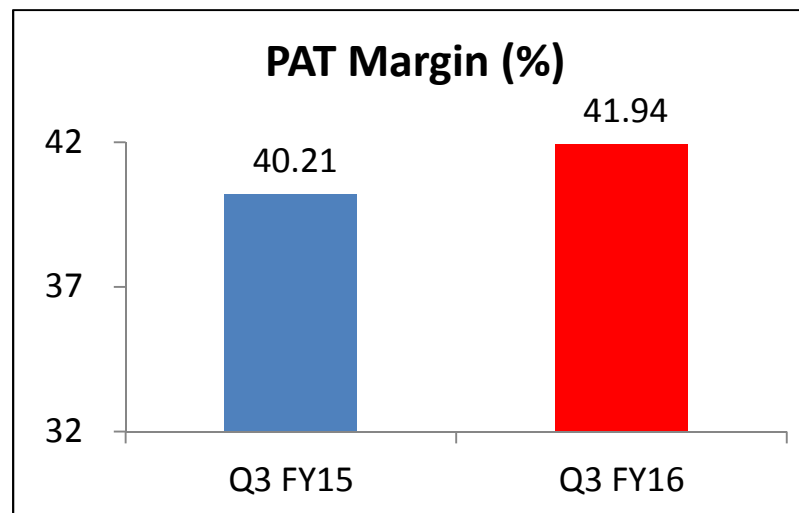


# Financial Performance: Q3-FY16

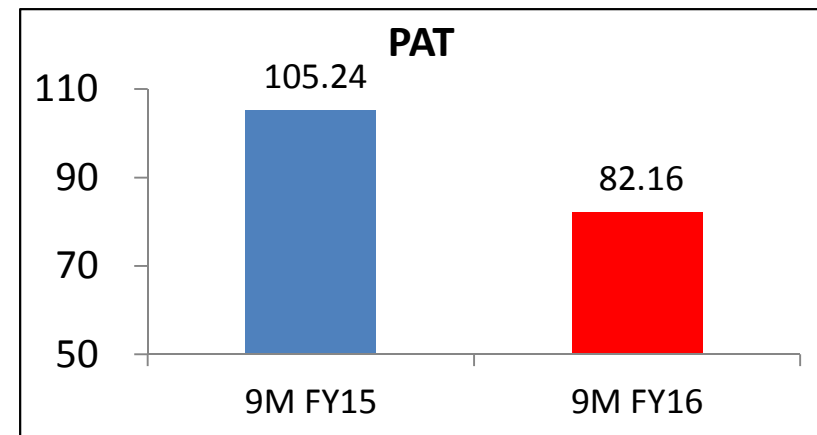
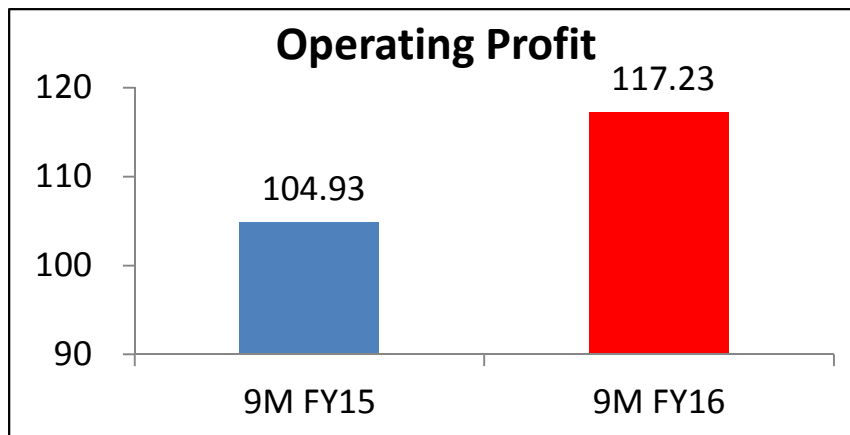
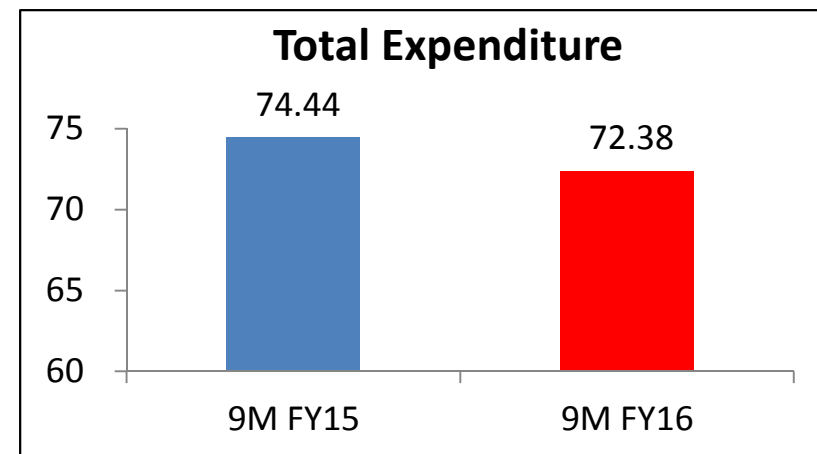
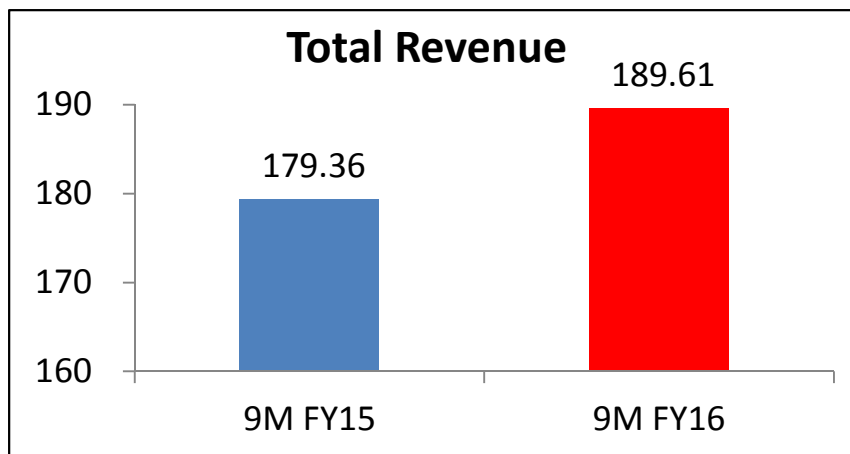


Q3 FY16 Operating profit margin increased to 62.55% mainly due to lower expenditure due to reduction in headcount and other cost control measures.

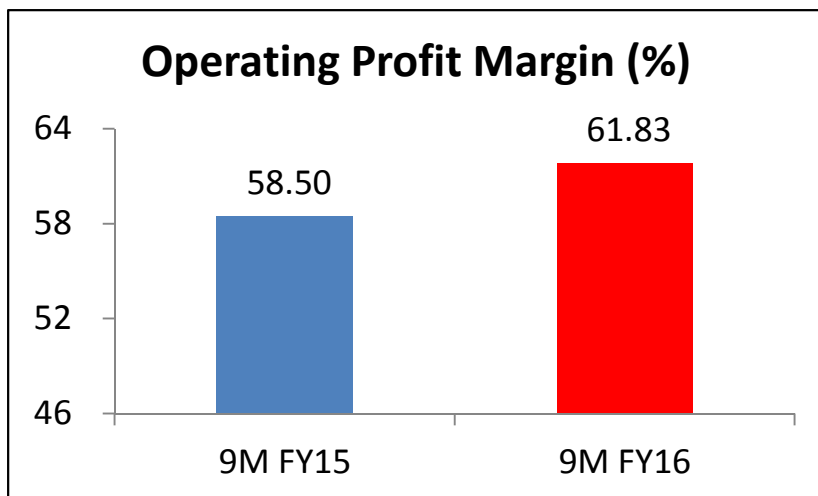
Q3 FY16 PAT margin stood at 41.94% mainly due to lower expenditure and Investment Income.



# Financial Performance: 9M-FY16 (Rs. crore)

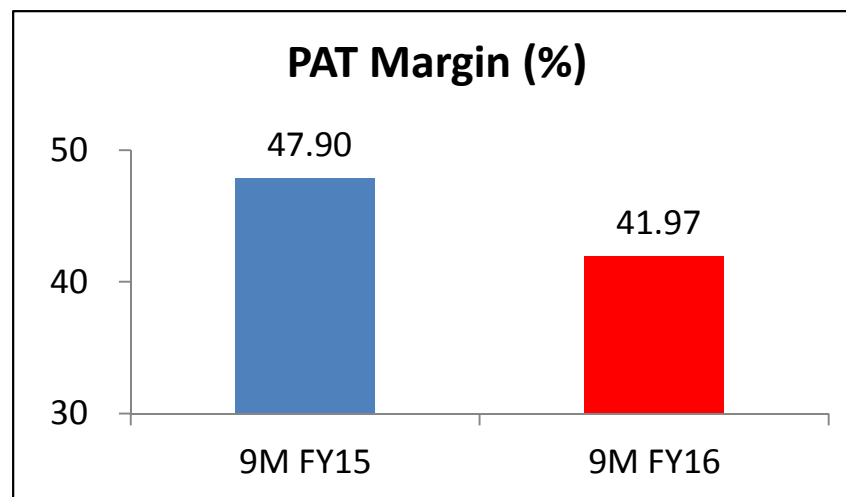


# Financial Performance: 9M-FY16

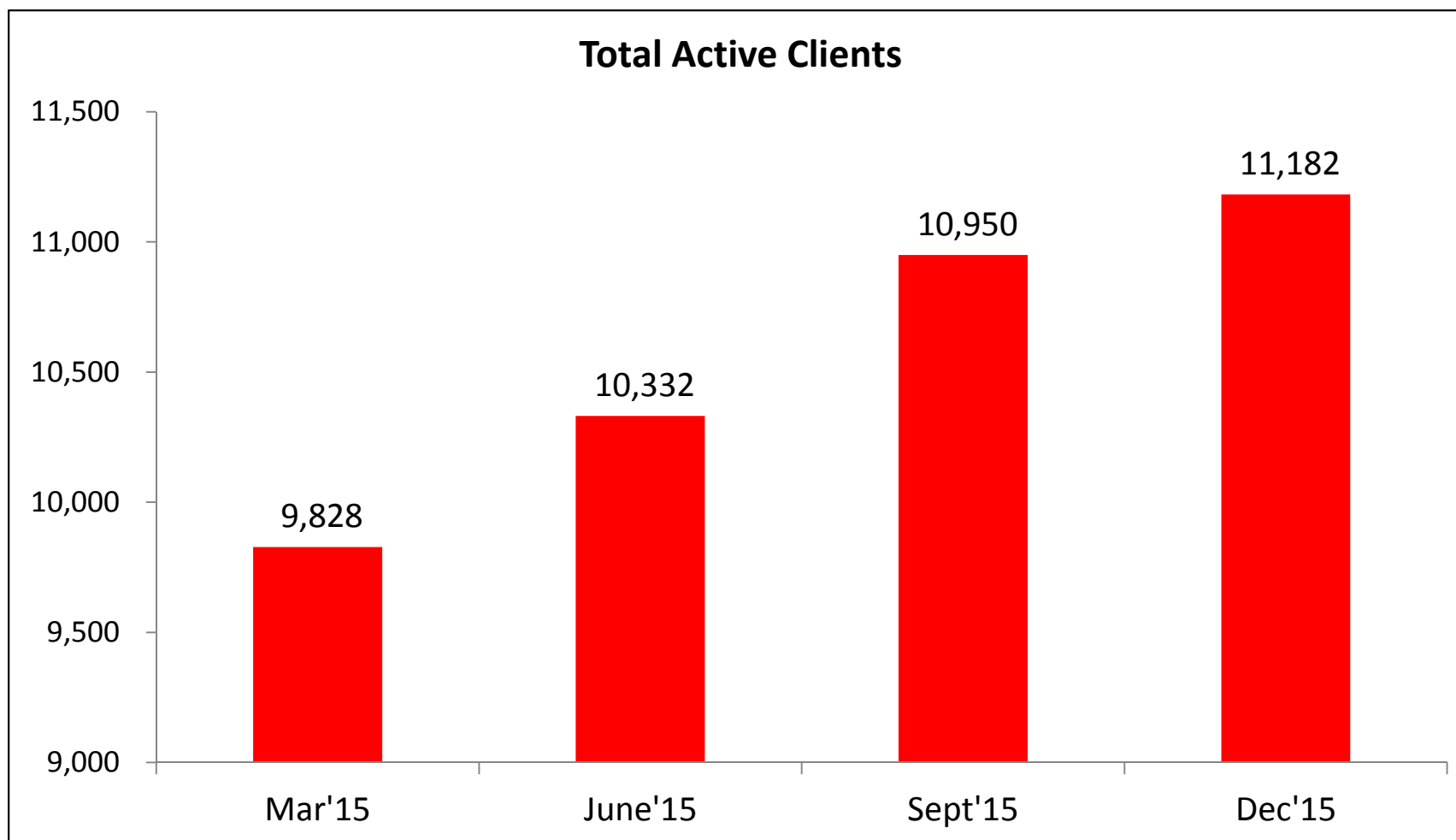


9M FY16 Operating profit margin increased to 61.83% mainly due to lower expenditure due to reduction in headcount and other cost control measures.

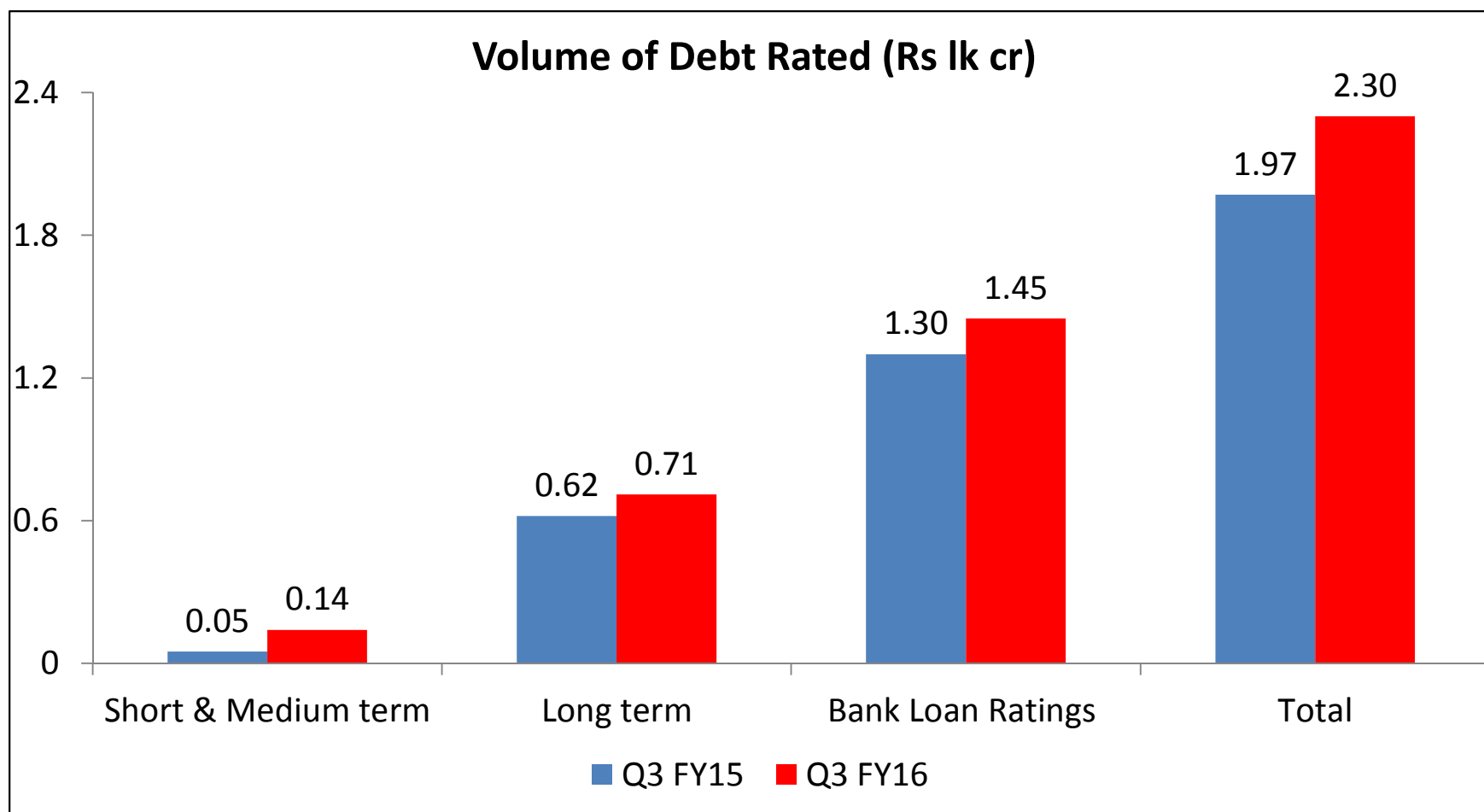
9M FY16 PAT margin reduced to 41.97% from 47.90% mainly due to lower expenditure and income from investments.



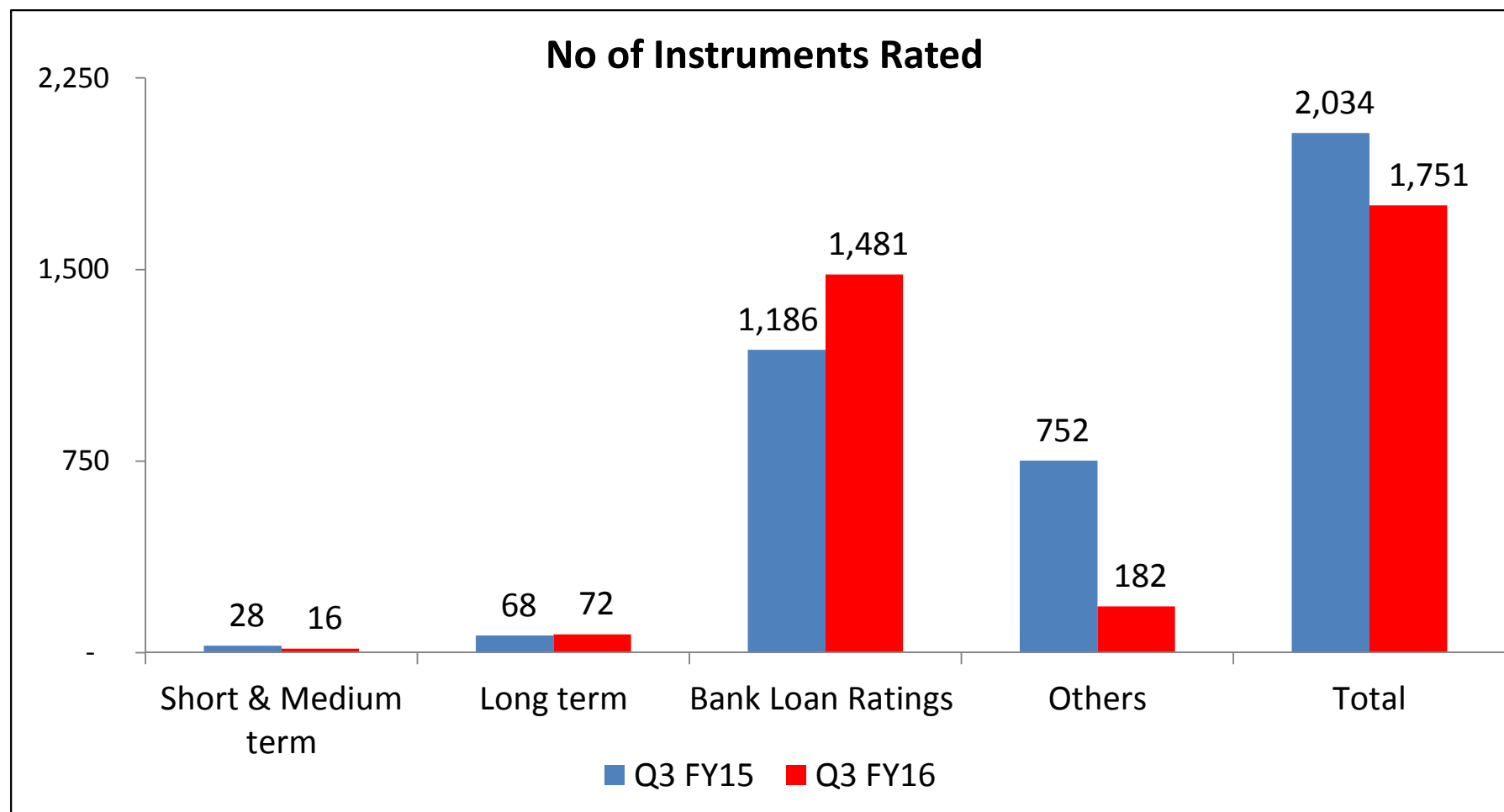
# Business Performance



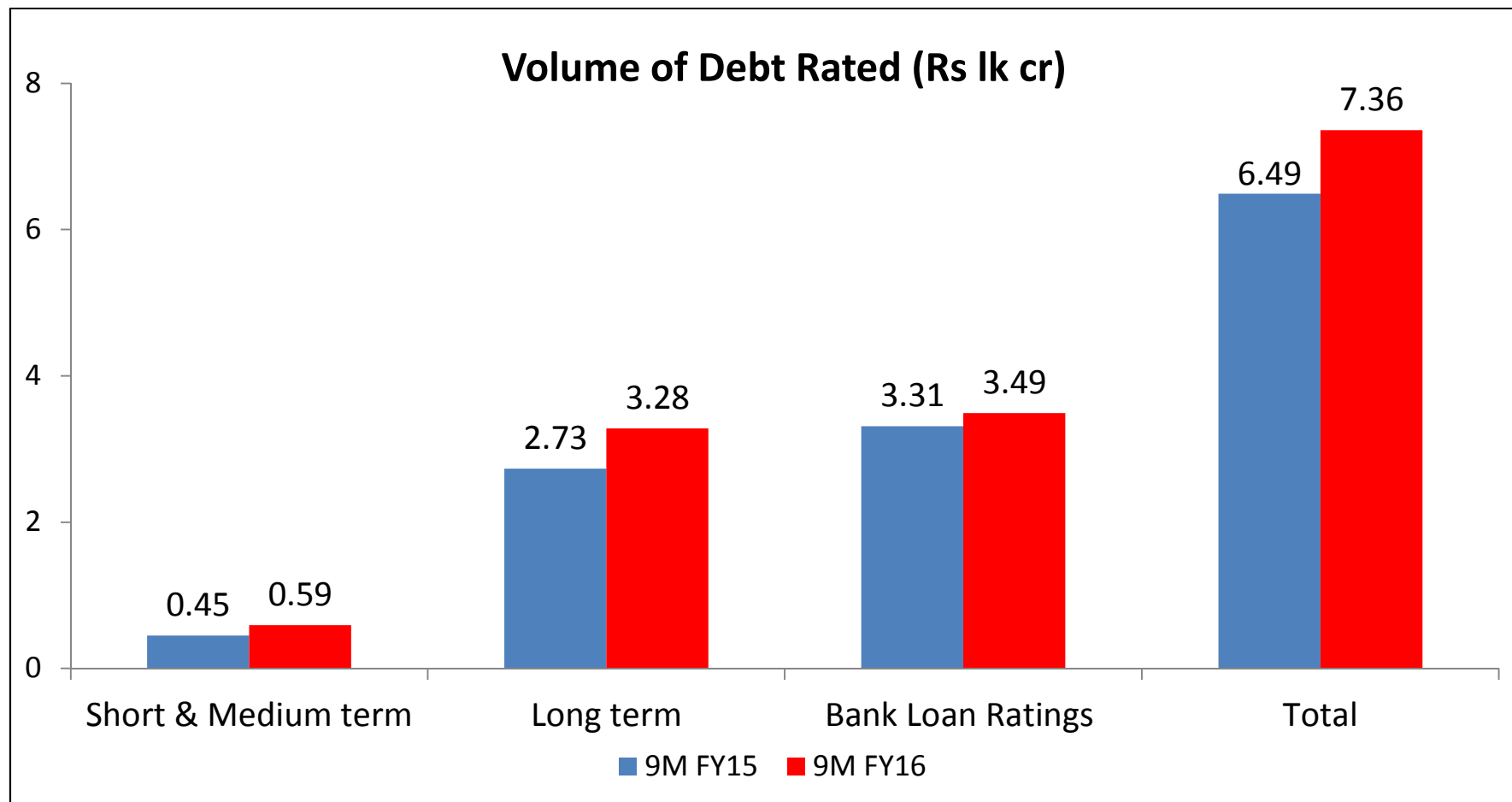
# Business Performance: Q3-FY16



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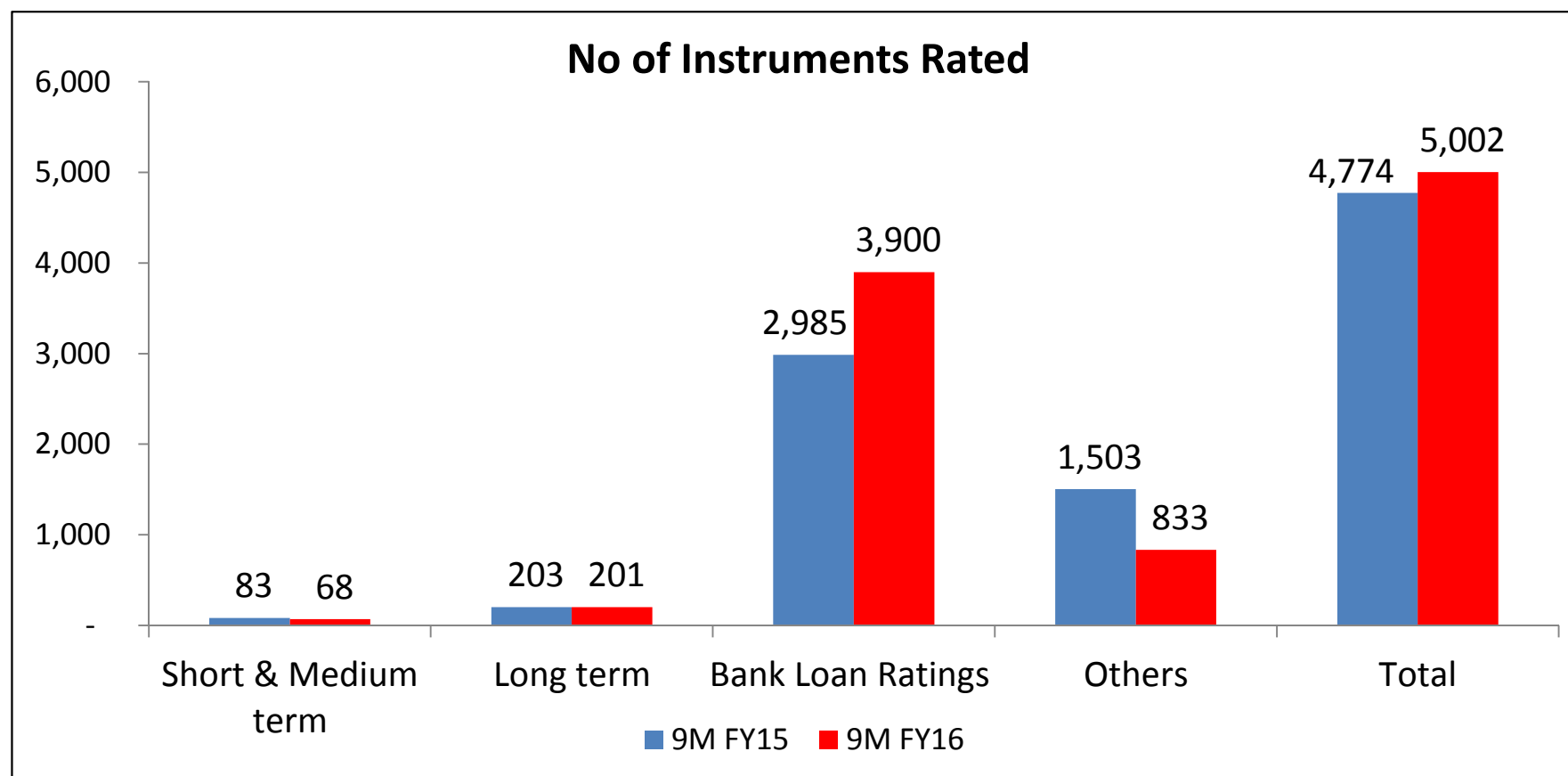


# Business Performance: 9M-FY16





# Business Performance: 9M-FY16



*NSIC Ratings witnessed significant decline in FY16, however other grading products saw an increase over last year.*

# Contents

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Highlights

Financial & Business Performance

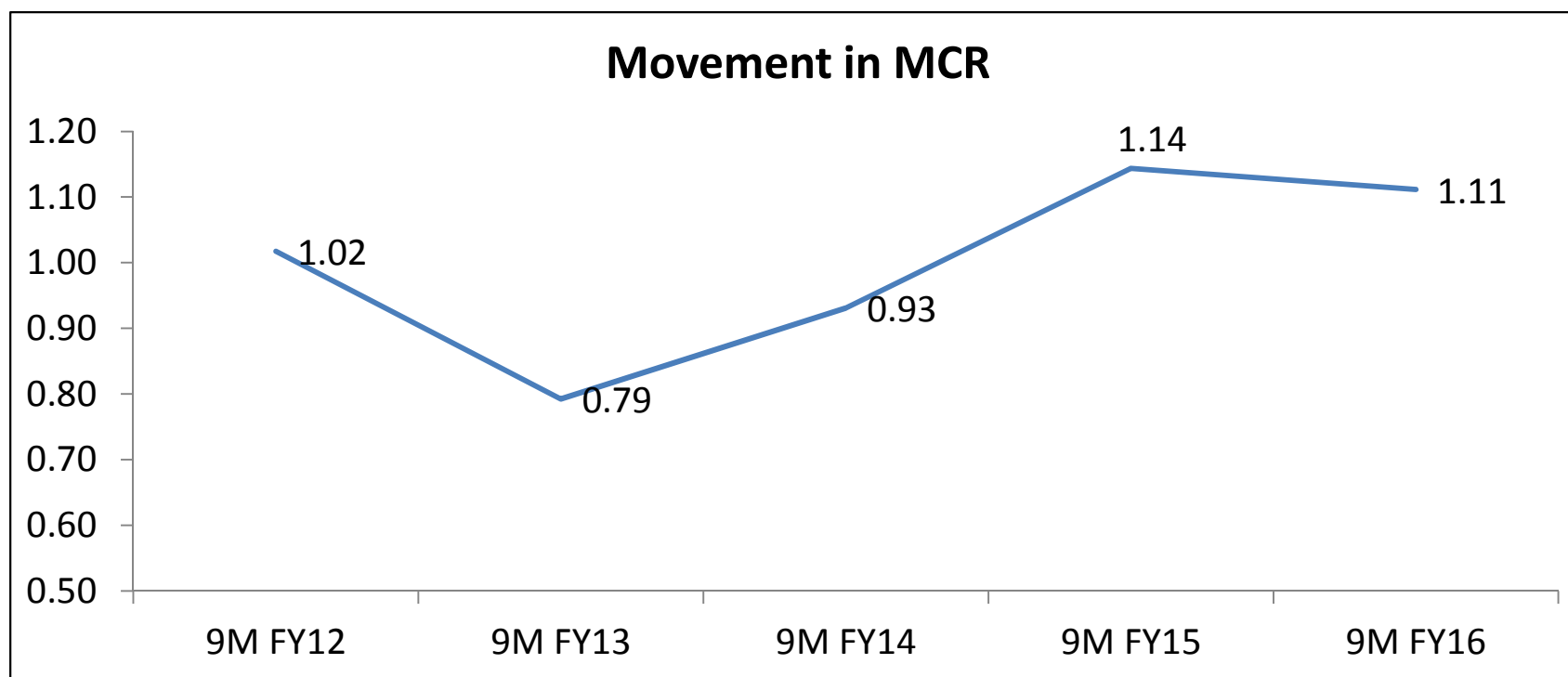
**MCR / CDQI**

New Developments

Economic Backdrop

# Rating Movement

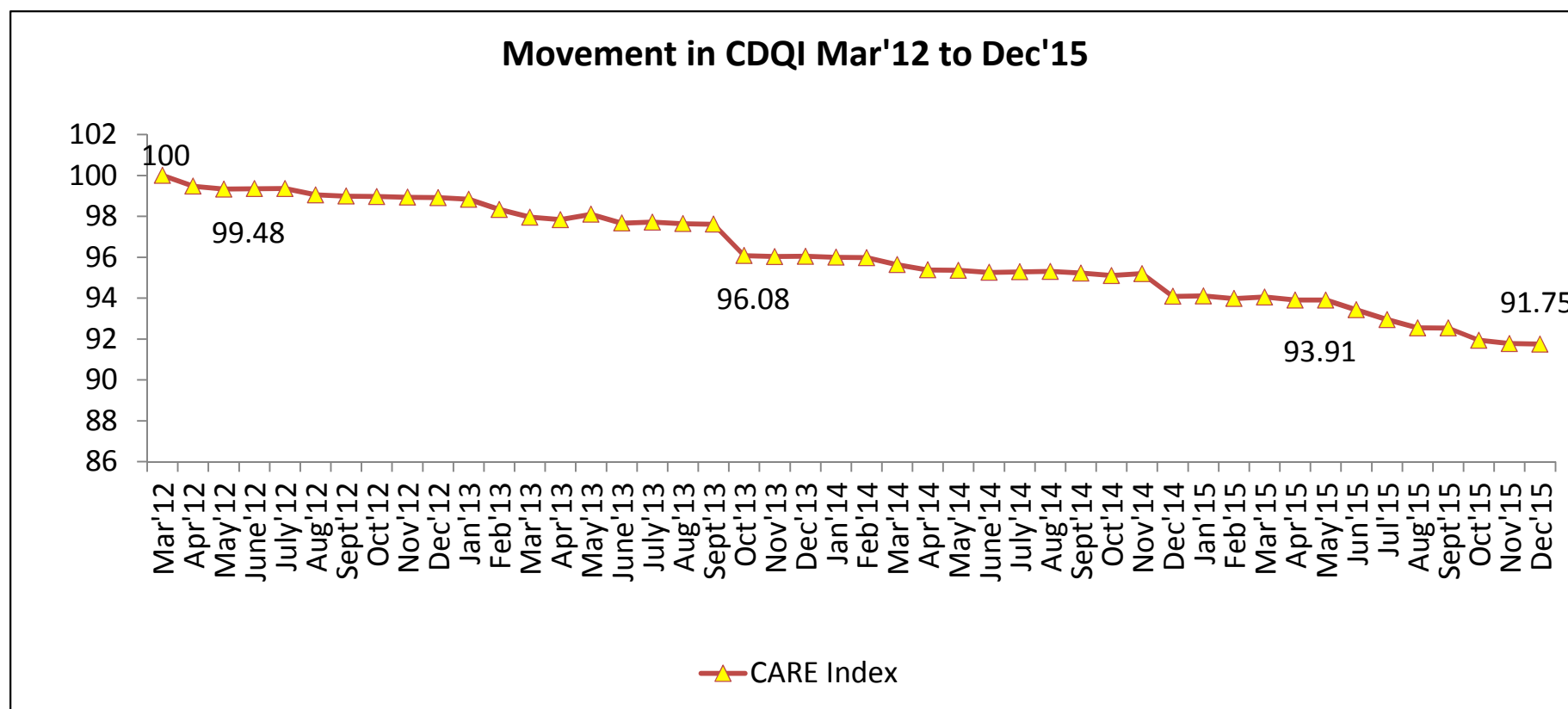
Credit Quality of domestic rated firms/entities declined during 9 months FY16 as indicated by the MCR. The Modified Credit Ratio (MCR) declined from 1.14 in 9M-FY15 to 1.11 in 9M-FY16.



MCR Formula = (Upgrades + Retentions) / (Downgrades + Retentions)

# CARE Ratings Debt Quality Index

The CDQI has been witnessing a downward movement since June'15. The index declined steeply by 0.60 points to 91.94 in Oct'15 and further to 91.78 in Nov'15. It further continued to register a contraction in Dec'15 (and stood at 91.75. This downward trend of the index is indicative of lower quality of debt over the last seven months.



# Contents

---

Highlights

Financial & Business Performance

MCR / CDQI

**New Developments**

Economic Backdrop

# New Developments

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- CARE signed a Memorandum of Understanding (MoU) with Japan Credit Rating Agency, Ltd. (JCR) to collaborate with each other as strategic business partners.
- CARE entered into an agreement with GREX Alternative Investments Market to provide a broad analytical framework within which CARE Ratings will be involved in conducting Rating / Grading exercises for companies registered on GREX platform.

# Contents

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Highlights

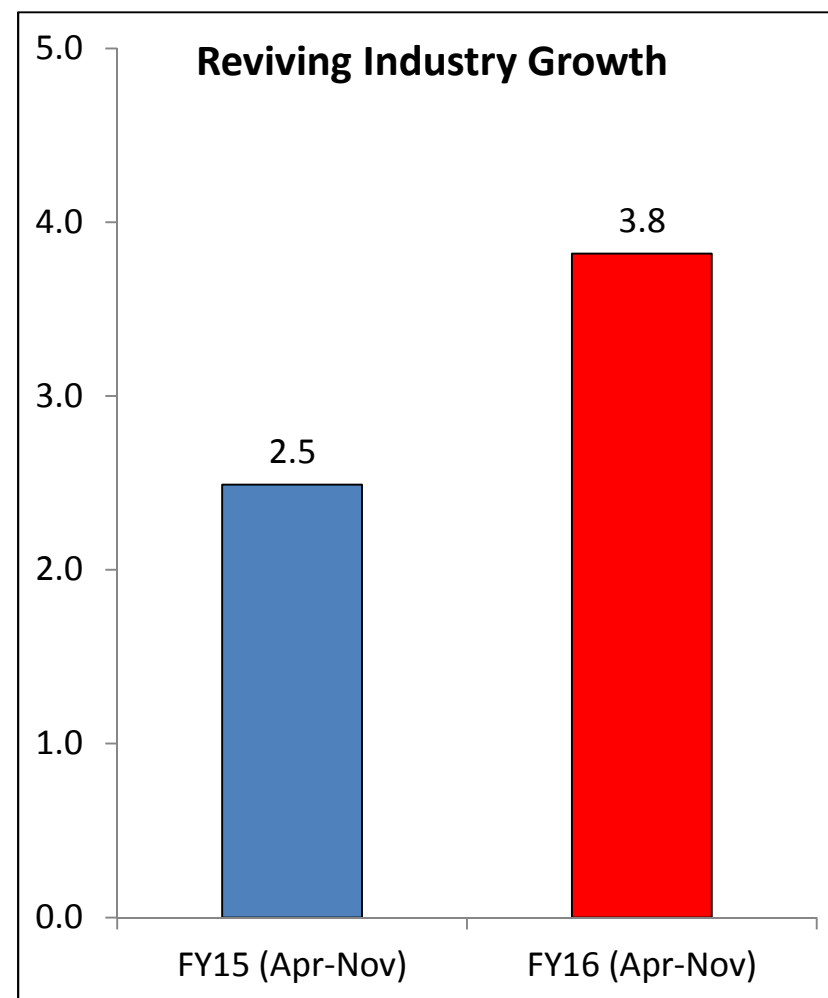
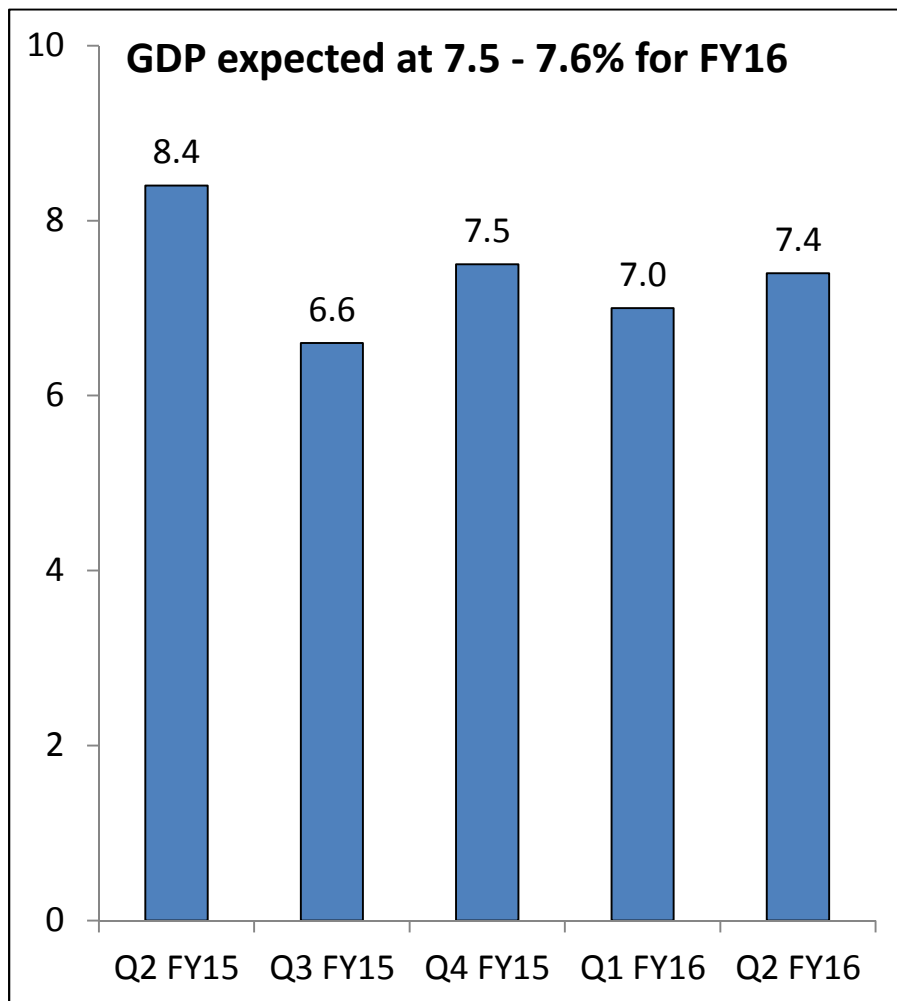
Financial & Business Performance

MCR / CDQI

New Developments

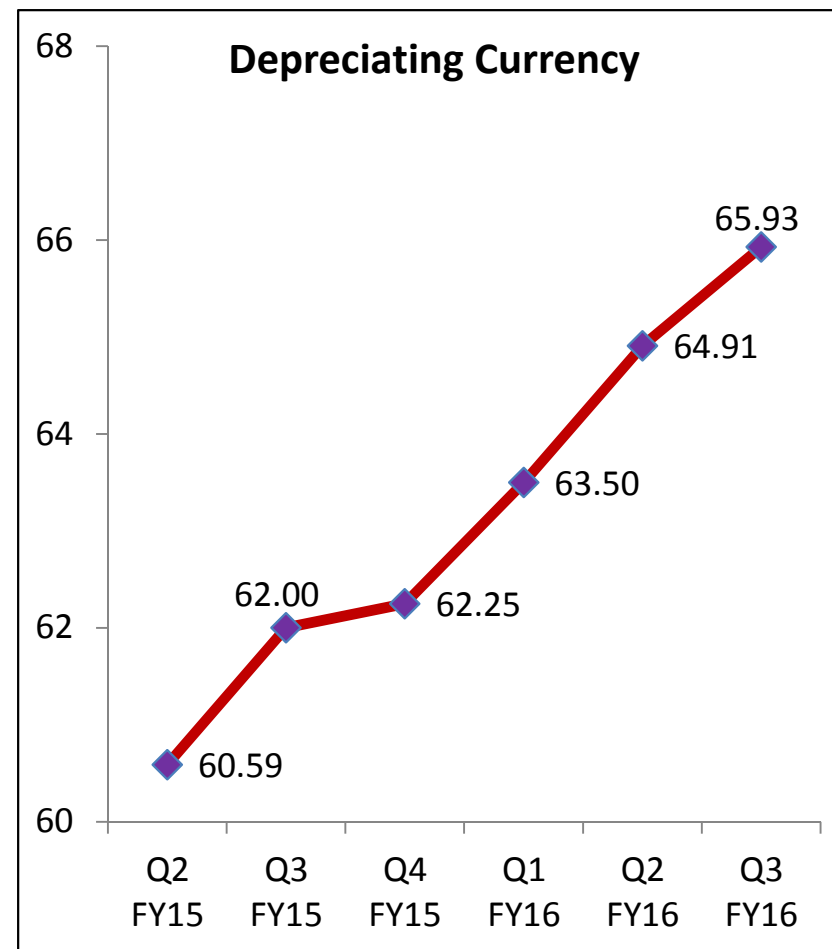
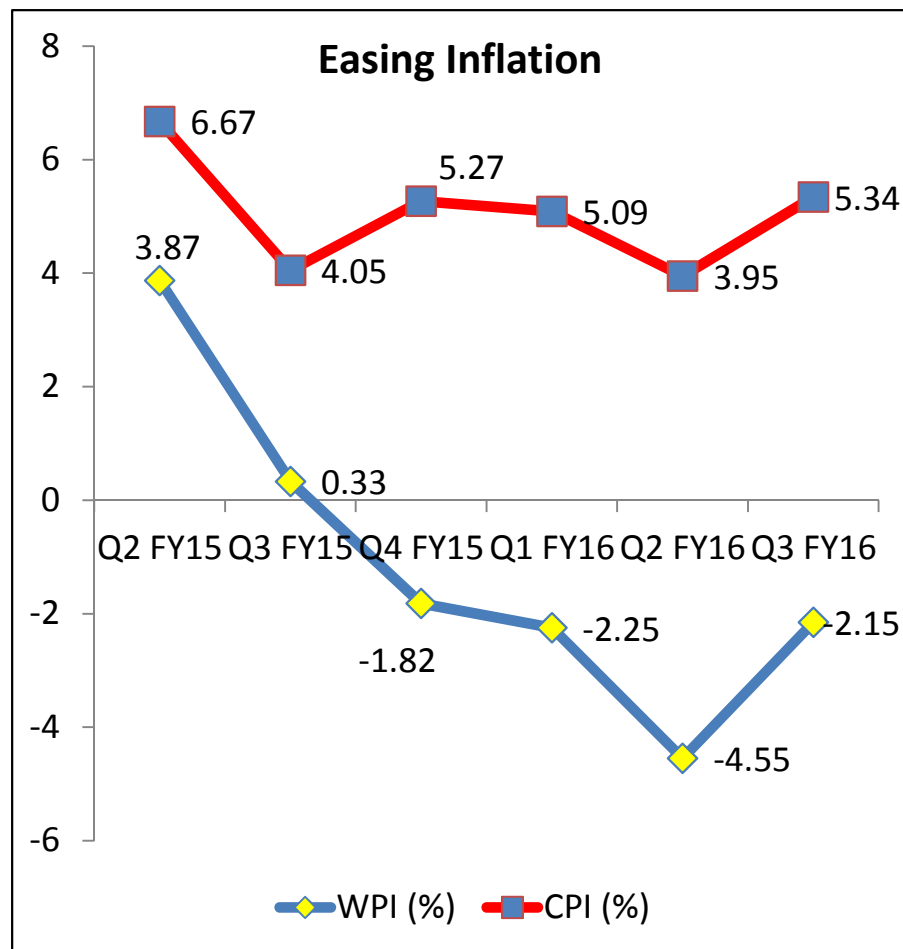
**Economic Backdrop**

# Economic Backdrop



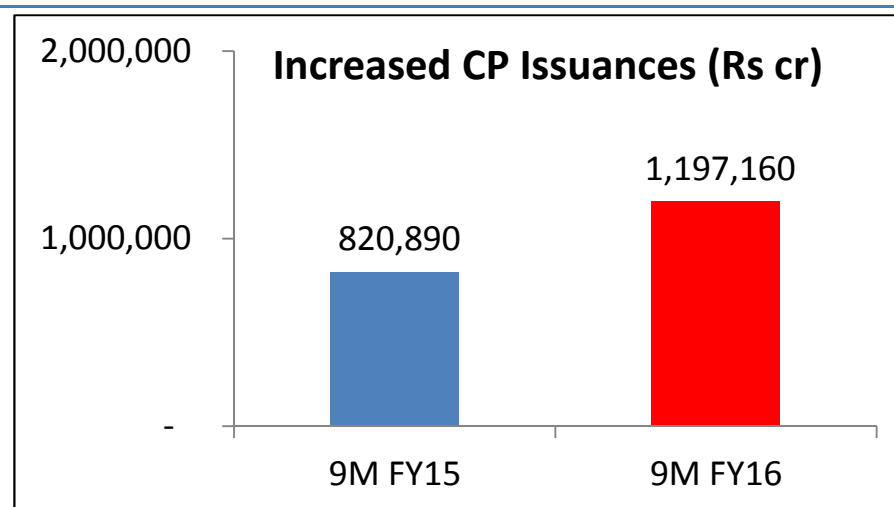
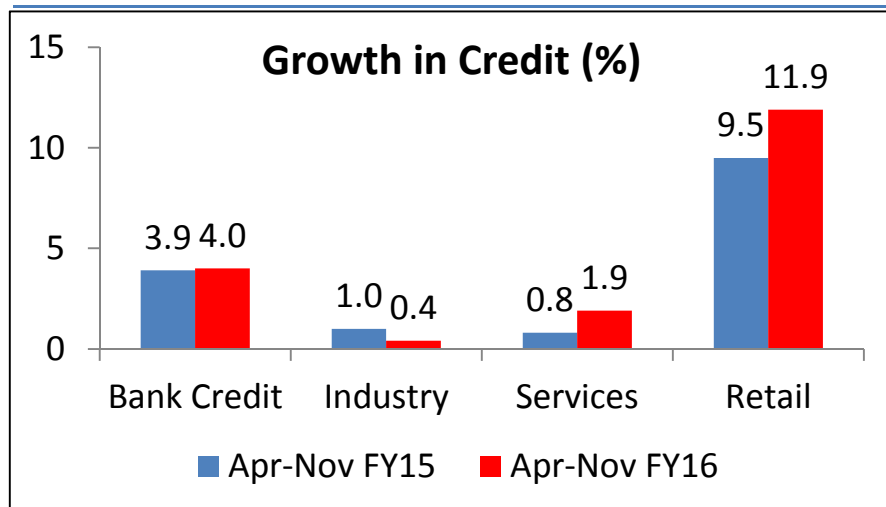


# Economic Backdrop

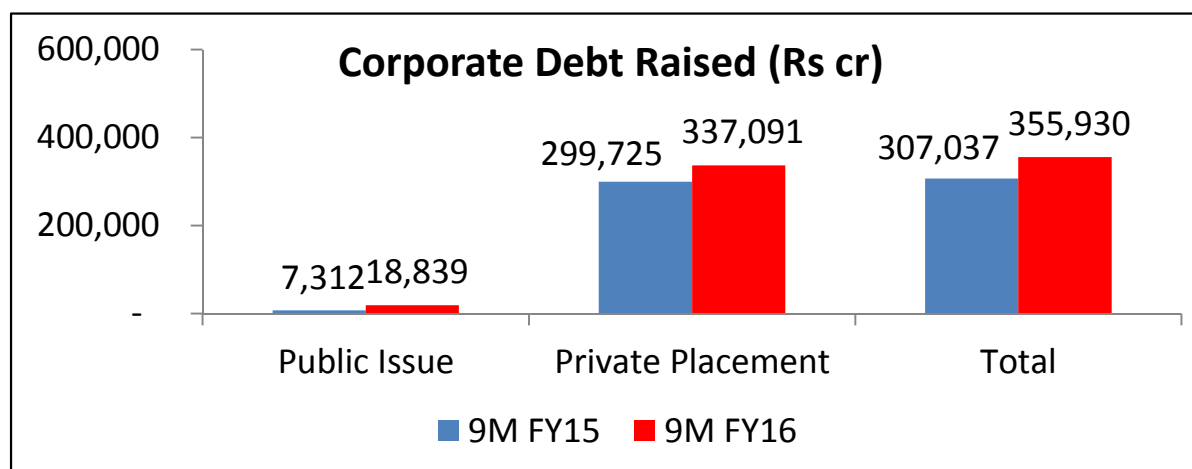


Average exchange rate for Jan stood at Rs 67.10 per dollar

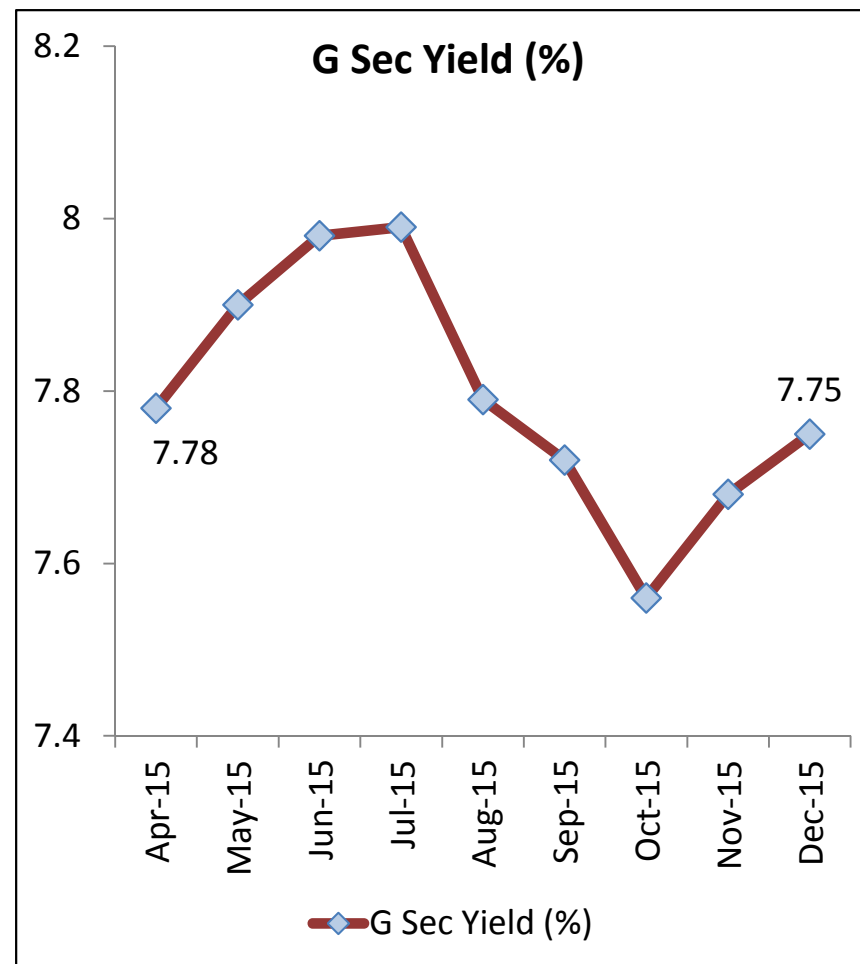
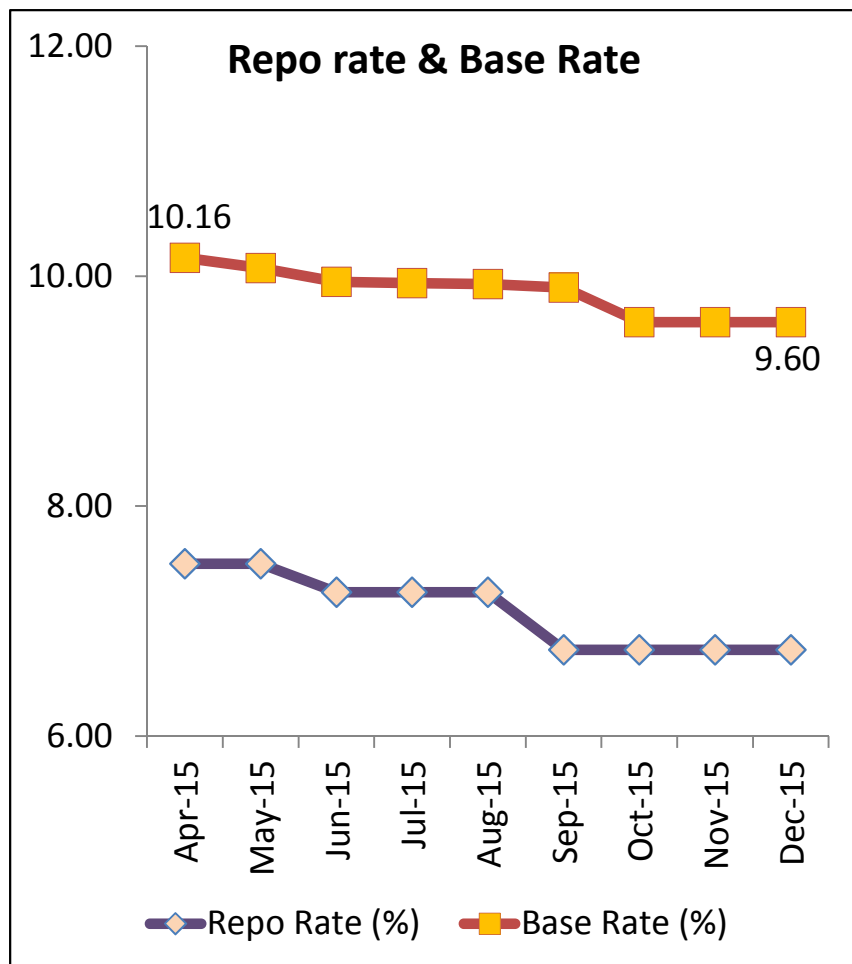
# Economic Backdrop



*As of Dec'15 total bank credit grew by 7.4% in FY16 (5.4%)*



# Economic Backdrop



# Economic Outlook for rest of FY16

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- Exchange expected to be volatile
- Inflation to be in the 5 plus range
- No expectations of lowering repo rate by RBI
- Capital formation to be muted

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# Thank You