

# ***Q1-FY19 Analyst Presentation***



# SAFE HARBOR STATEMENT

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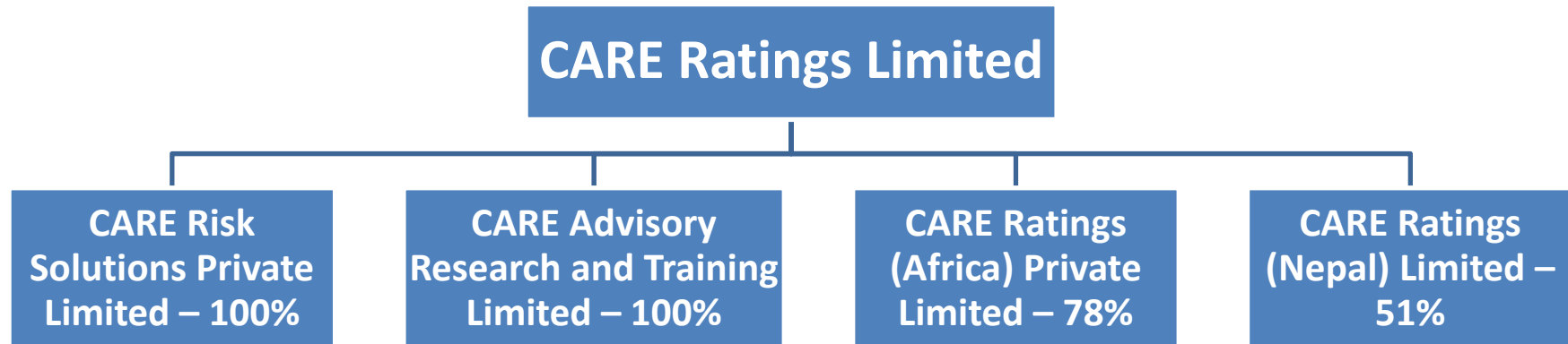
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# CARE Ratings Group

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# Major Factors affecting results of Q1-FY19

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- The Company had changed the revenue recognition policy in FY18. Accordingly some income booked in the previous year is not available in current year. The revenue for Q1-FY18 was higher by Rs. 7.57 crores and PAT was higher by Rs. 6.01 crores. All the previous year column are adjusted to make the performance comparable with current year in slides 7 to 9 in this presentation. To that extent the numbers in this presentation will differ from the published results.
- Q1-FY19 includes ESOP charge of Rs. 3.66 crores resulting in higher expense.
- Q1-FY19 mark to market gains on FMP's and Duration Product investment were lower as compared to MTM gains in Q1-FY18. This has resulted in lower accrual of Other Income in Q1-FY19.

# Highlights: Q1-FY19(Standalone)- adjusted

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- **Growth in Financial Indicators**

- Growth in Operating Income of 6.70% in Q1-FY19 over Q1-FY18 \*
- Growth in Total Income of 2.24% over Q1-FY18 \*
- Growth in Expenditure of 28.39% (including ESOP charge)
- Operating Profit margin at 55% and PAT margin at 41.4% in Q1-FY19 \*
- 671 new clients added during Q1-FY19
- Interim Dividend of Rs. 6 per share declared by Board

- **Business Profile**

- Total volume of debt rated stood at Rs 3.81 lakh crore in Q1-FY19 as against Rs 3.90 lakh crore in Q1-FY18
- Total number of instruments rated were 1806

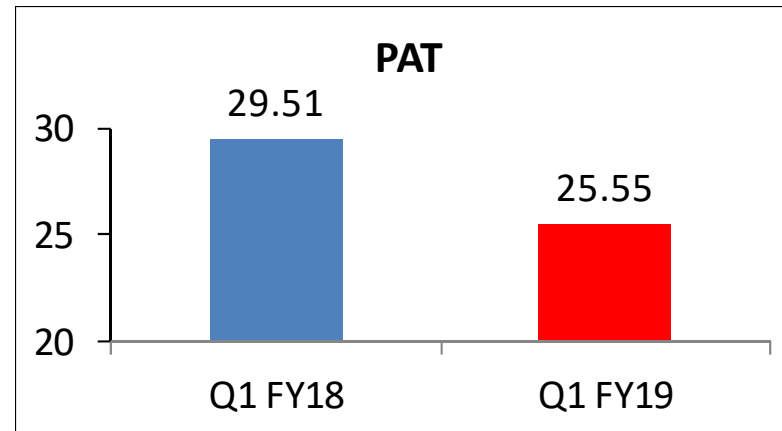
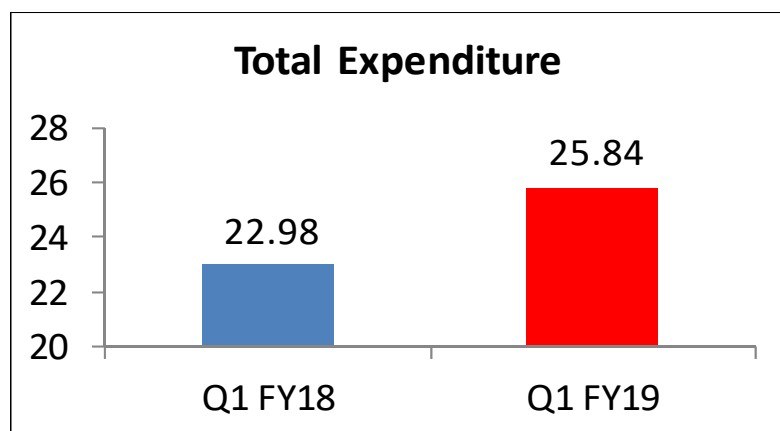
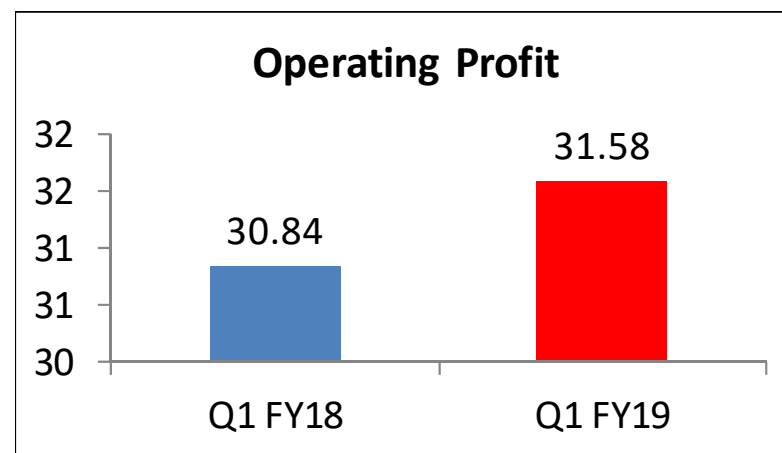
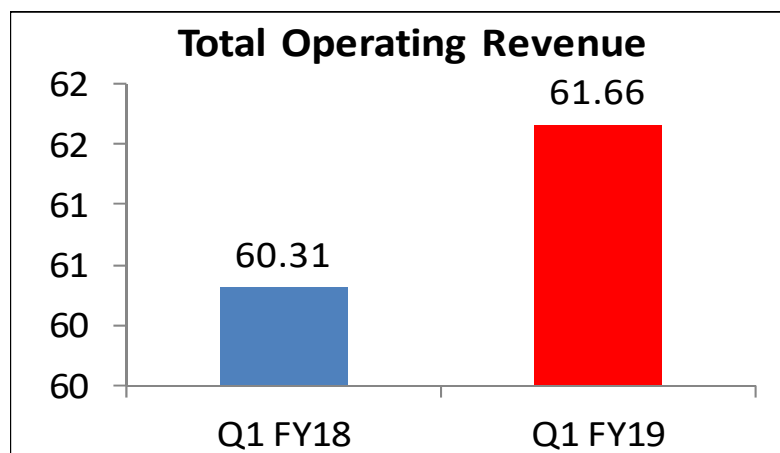
\* The Company had changed the revenue recognition policy prospectively from FY18. Accordingly, some income booked in previous year is not available in current year. The revenue for Q1-FY18 is higher by Rs. 7.57 crore and PAT is higher by Rs. 6.01 crore in Q1-FY18. The slides in this presentation compares Q1-FY18 numbers excluding the impact of this change.

# Adjusted Financials for analytical comparison

Rs. Lakhs						
Particulars	Standalone			Consolidated		
	Q1 FY19	Q1 FY18	% Change	Q1 FY19	Q1 FY18	% Change
Revenue from Operations*	5,742	5,381	6.70%	5,999	5,540	8.29%
Total Expenses	2,584	2,298	12.47%	2,899	2,523	14.90%
<b>Operating Profit *</b>	<b>3,158</b>	<b>3,084</b>	<b>2.40%</b>	<b>3,100</b>	<b>3,017</b>	<b>2.76%</b>
ESOP Charge	366	-	0.00%	366	-	0.00%
Other Income	424	650	-34.69%	457	654	-30.06%
<b>Profit Before Tax *</b>	<b>3,216</b>	<b>3,734</b>	<b>-13.86%</b>	<b>3,191</b>	<b>3,671</b>	<b>-13.05%</b>
Provision for Tax	661	783	-15.53%	676	781	-13.42%
<b>Profit After Tax *</b>	<b>2,555</b>	<b>2,951</b>	<b>-13.42%</b>	<b>2,516</b>	<b>2,890</b>	<b>-12.95%</b>
<b>Operating Profit margin (%)</b>	55.00%	57.31%		51.68%	54.46%	
<b>Operating Profit margin (%) (after ESOP)</b>	48.62%	57.31%		45.58%	54.46%	
<b>Profit Before Tax margin (%)</b>	52.16%	61.91%		49.43%	59.26%	
<b>Net Profit margin (%)</b>	41.43%	48.92%		38.96%	46.66%	
<b>Basic EPS for the quarter (Rs. per share)</b>	8.67	10.02		8.49	9.81	

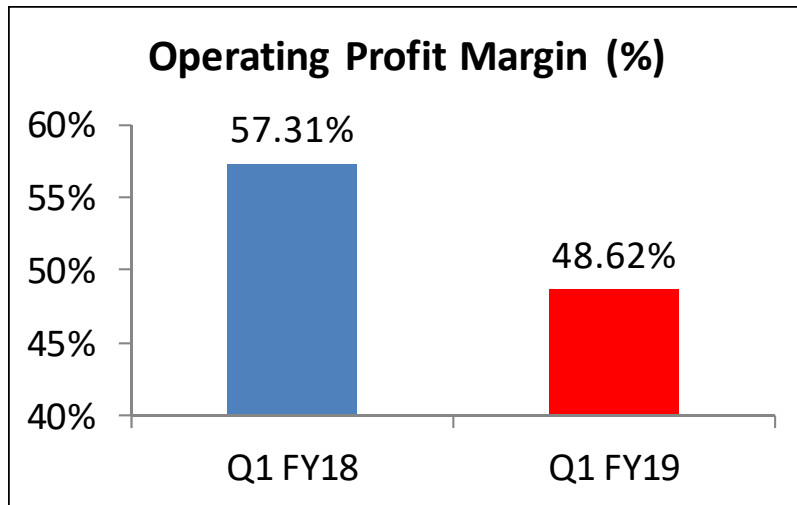
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# Standalone- Financial Performance:Q1-FY19 (Rs cr)



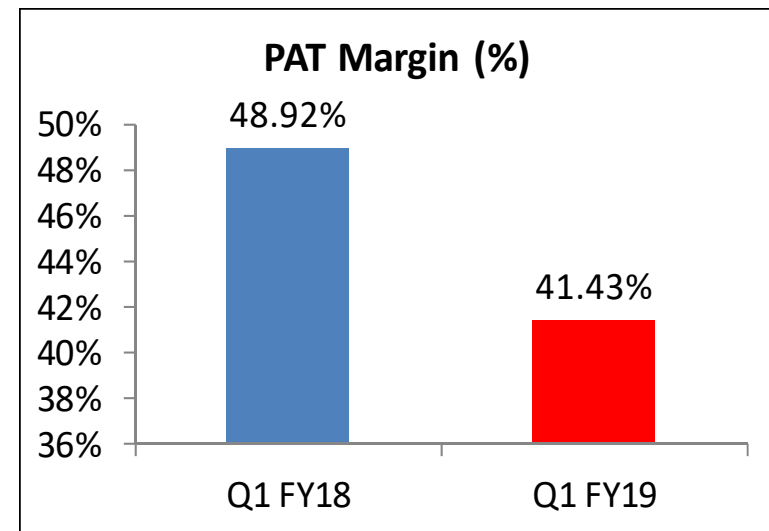


# Financial Performance: Q1-FY19



Q1 FY19 Operating profit margin stood at 48.62% mainly due to ESOP charges and higher other expenses. Without the effect of ESOP charges Operating profit margin will be at 55.0%.

Q1 FY19 PAT margin stood at 41.4% mainly due to lower other income on account of mark to market impact on investments, ESOP charges and increased other expenses.



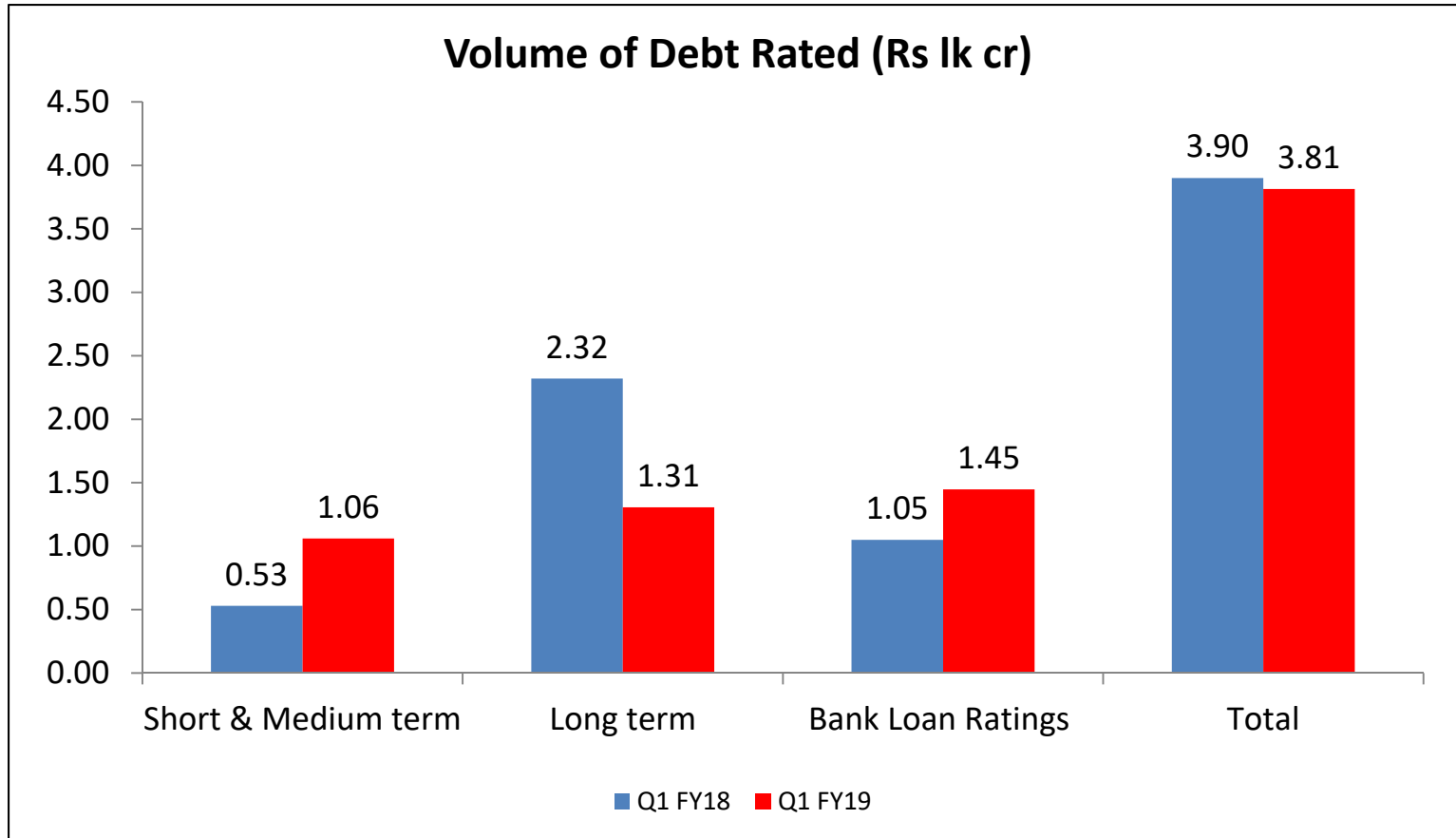
# Published Financial Results for Q1-FY19

Rs. Lakhs

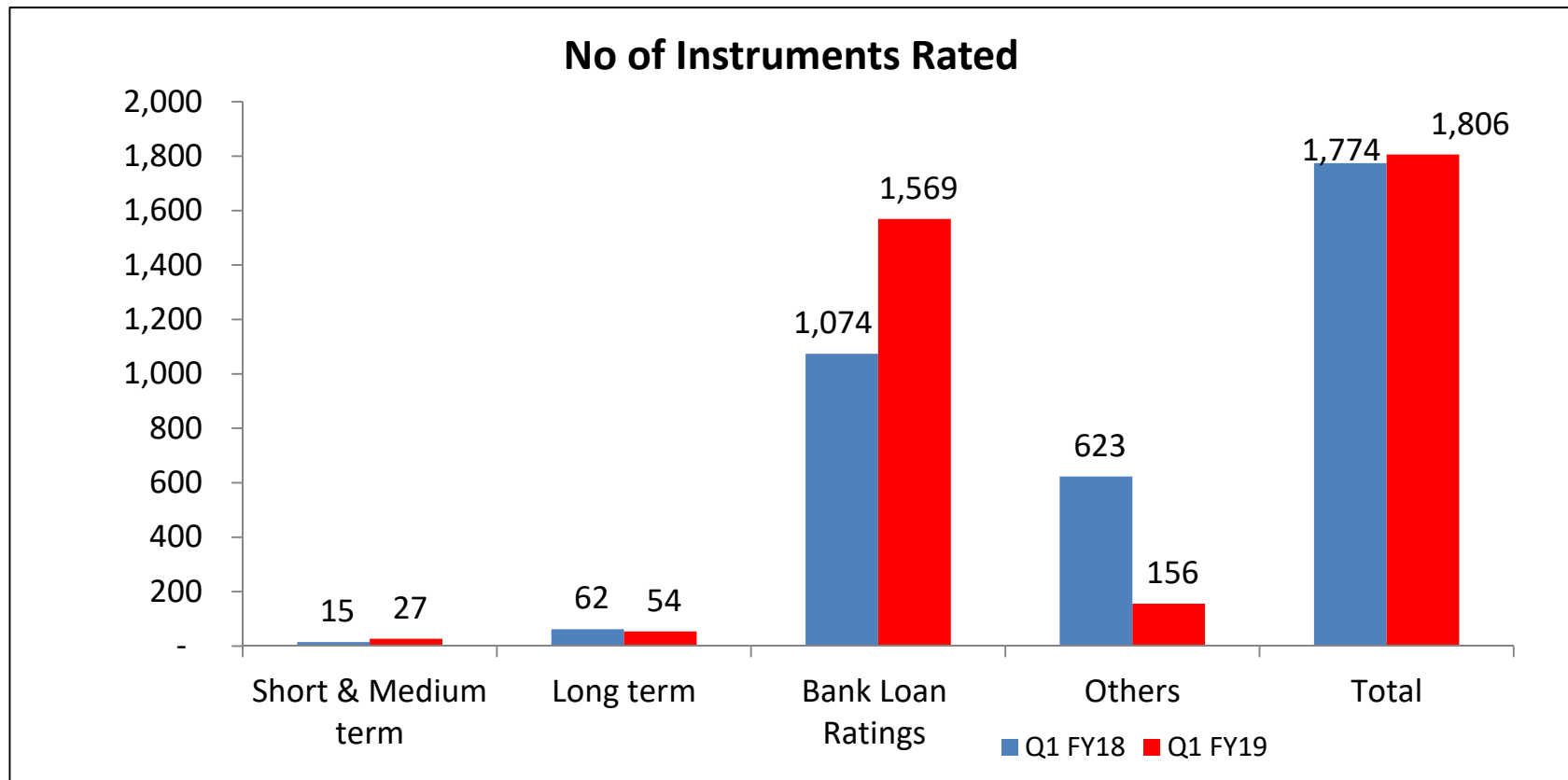
Particulars	Standalone			Consolidated		
	Q1 FY19	Q1 FY18	% Change	Q1 FY19	Q1 FY18	% Change
Revenue from Operations	5,742	6,138	-6.46%	5,999	6,297	-4.73%
<b>Total Expenses</b>	<b>2,584</b>	<b>2,298</b>	<b>12.47%</b>	<b>2,899</b>	<b>2,523</b>	<b>14.90%</b>
<b>Operating Profit (without ESOP)</b>	<b>3,158</b>	<b>3,841</b>	<b>-17.78%</b>	<b>3,100</b>	<b>3,774</b>	<b>-17.85%</b>
ESOP Charge	366	-	0.00%	366	-	0.00%
Other Income	424	650	-34.69%	457	654	-30.06%
<b>Profit Before Tax</b>	<b>3,216</b>	<b>4,491</b>	<b>-28.38%</b>	<b>3,191</b>	<b>4,427</b>	<b>-27.92%</b>
Provision for Tax	661	942	-29.77%	676	942	-28.22%
<b>Profit After Tax</b>	<b>2,555</b>	<b>3,549</b>	<b>-28.01%</b>	<b>2,516</b>	<b>3,486</b>	<b>-27.83%</b>

<b>Operating Profit margin (%)</b>	48.62%	62.57%	45.58%	59.93%
<b>Profit Before Tax margin (%)</b>	52.16%	66.15%	49.43%	63.70%
<b>Net Profit margin (%)</b>	41.43%	52.28%	38.96%	50.15%
<b>Basic EPS for the quarter (Rs. per share)</b>	8.67	12.05	8.54	11.84

# Business Performance: Q1-FY19



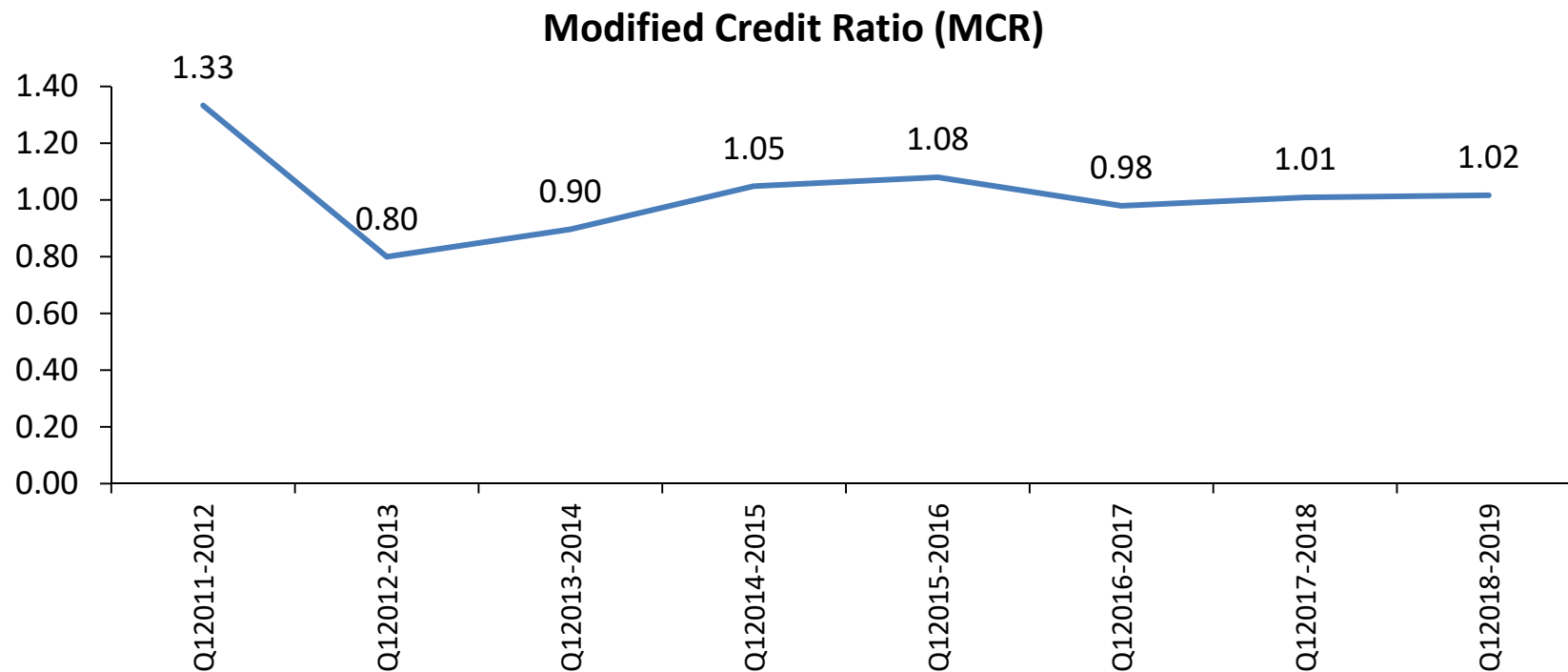
# Business Performance: Q1-FY19



Others majorly came from NSIC/SSI grading, RESCO grading and SME Grading

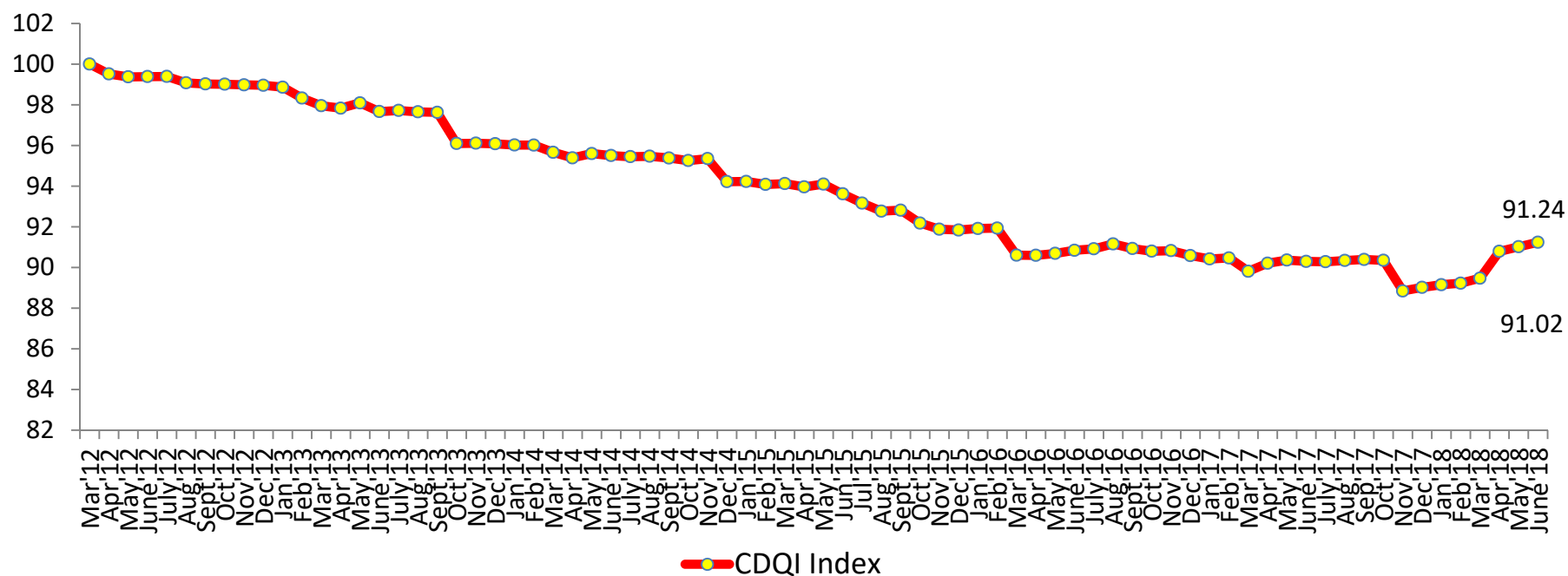
# Rating Movement

The credit quality of the entities rated by CARE Ratings has been seen to be fairly stable. There has been a marginal improvement in credit quality of rated entities as measured by CARE Ratings '*modified credit ratio*' (MCR) in Q1 FY19 when compared with that in the corresponding period last year i.e. Q1 FY18.

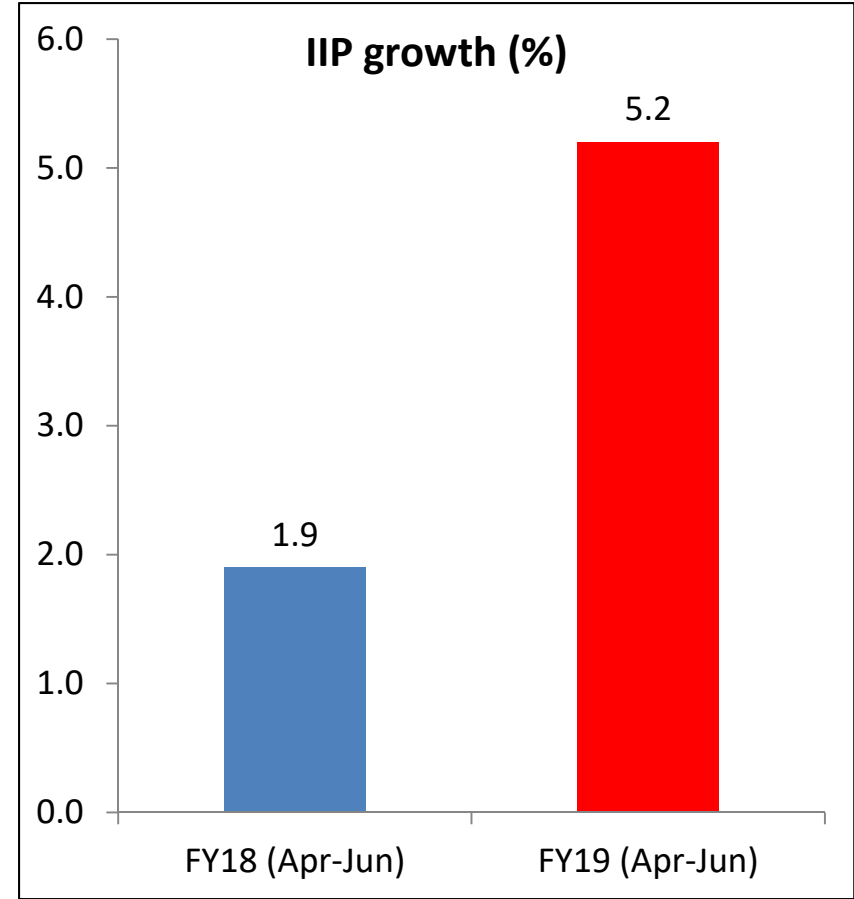
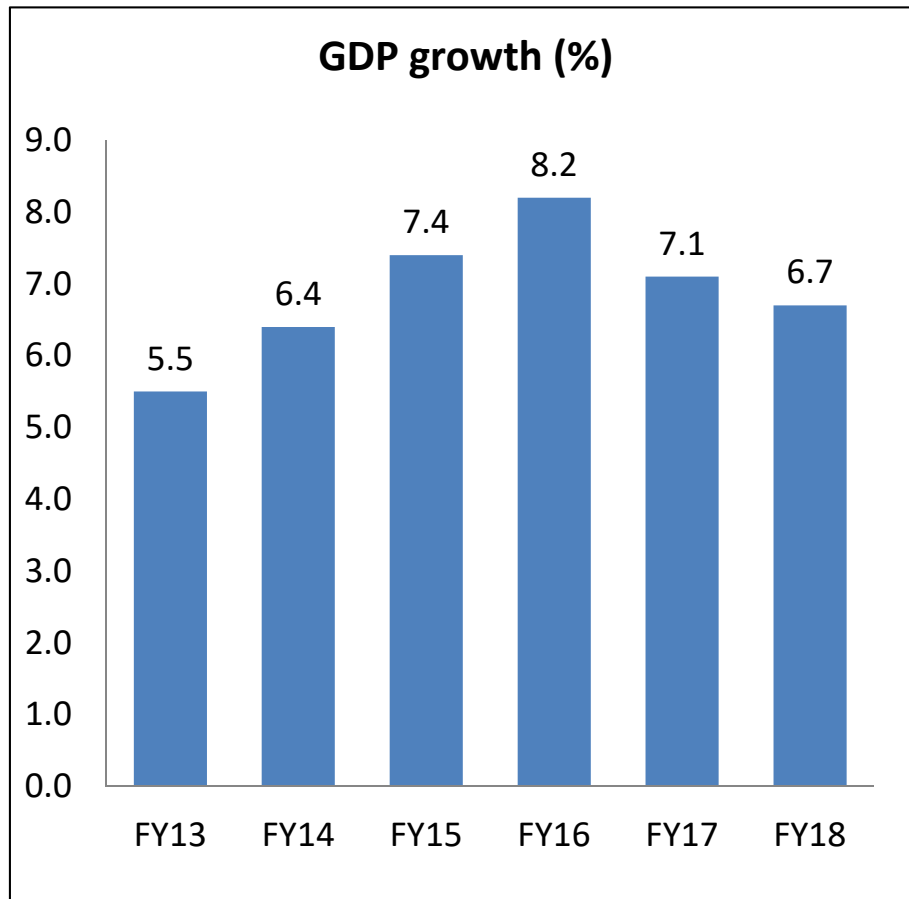


# CARE Ratings Debt Quality Index (CDQI)

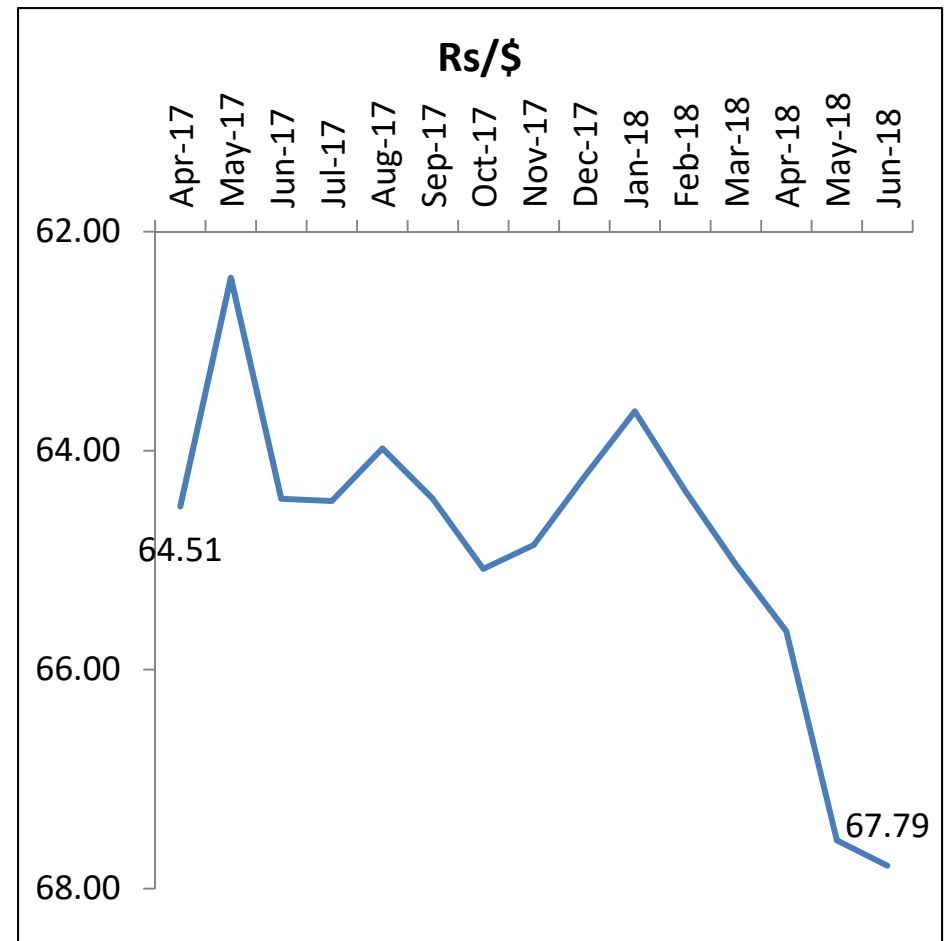
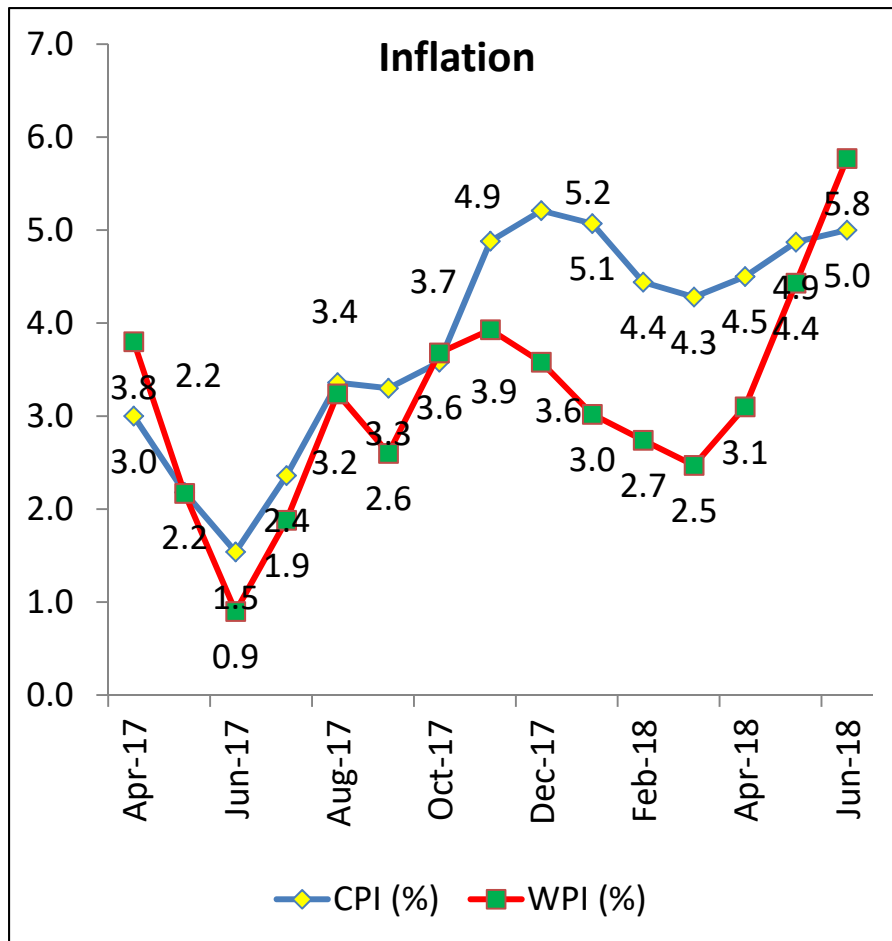
CDQI dipped marginally in FY18, due to downgrades in the telecom sector in November 2017, after which it has shown an improving trend. It has been improving in the trailing seven months ended June 2018.



# Economic Backdrop

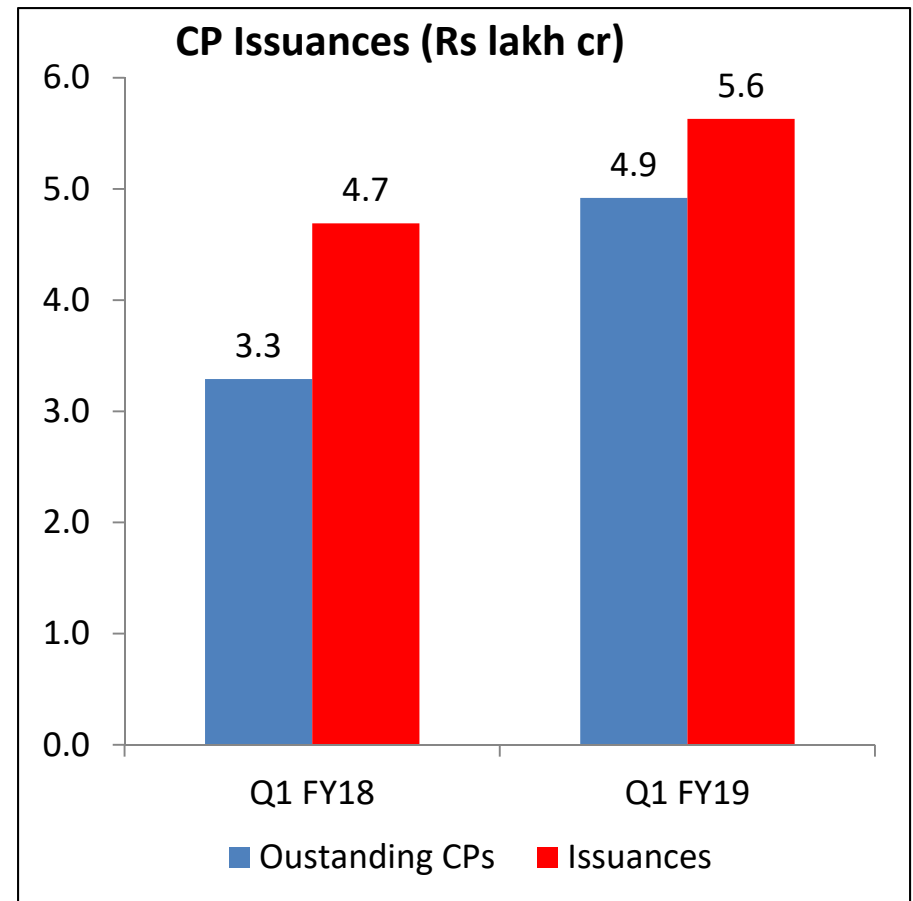
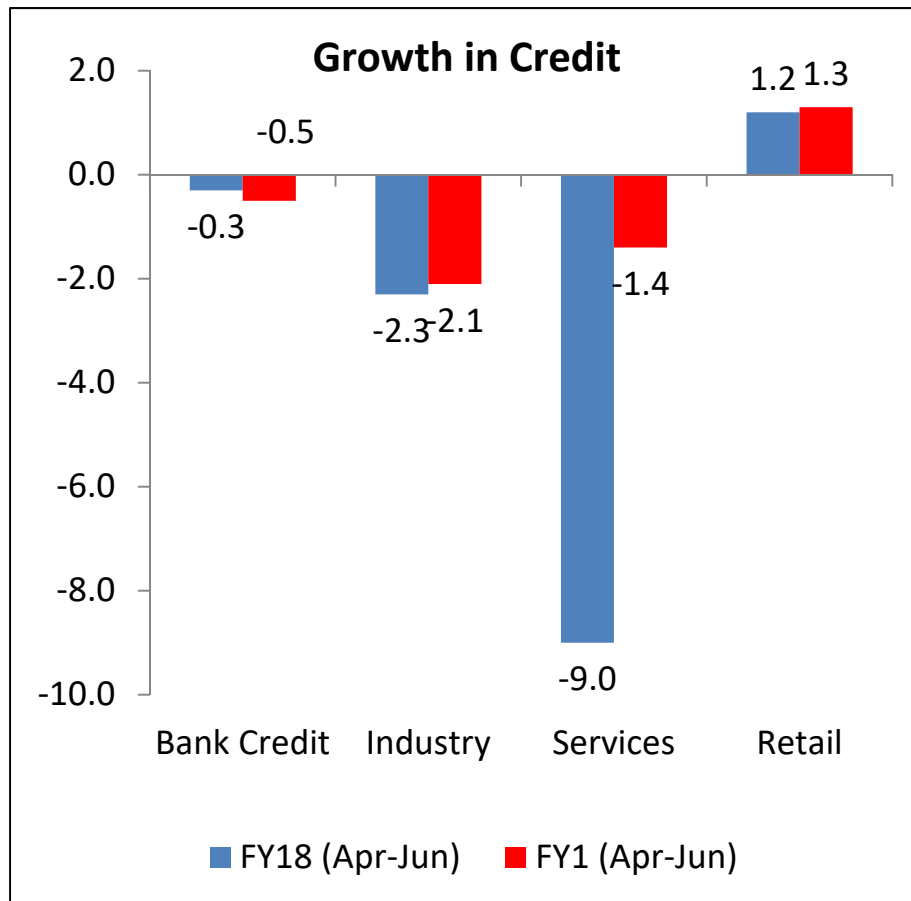


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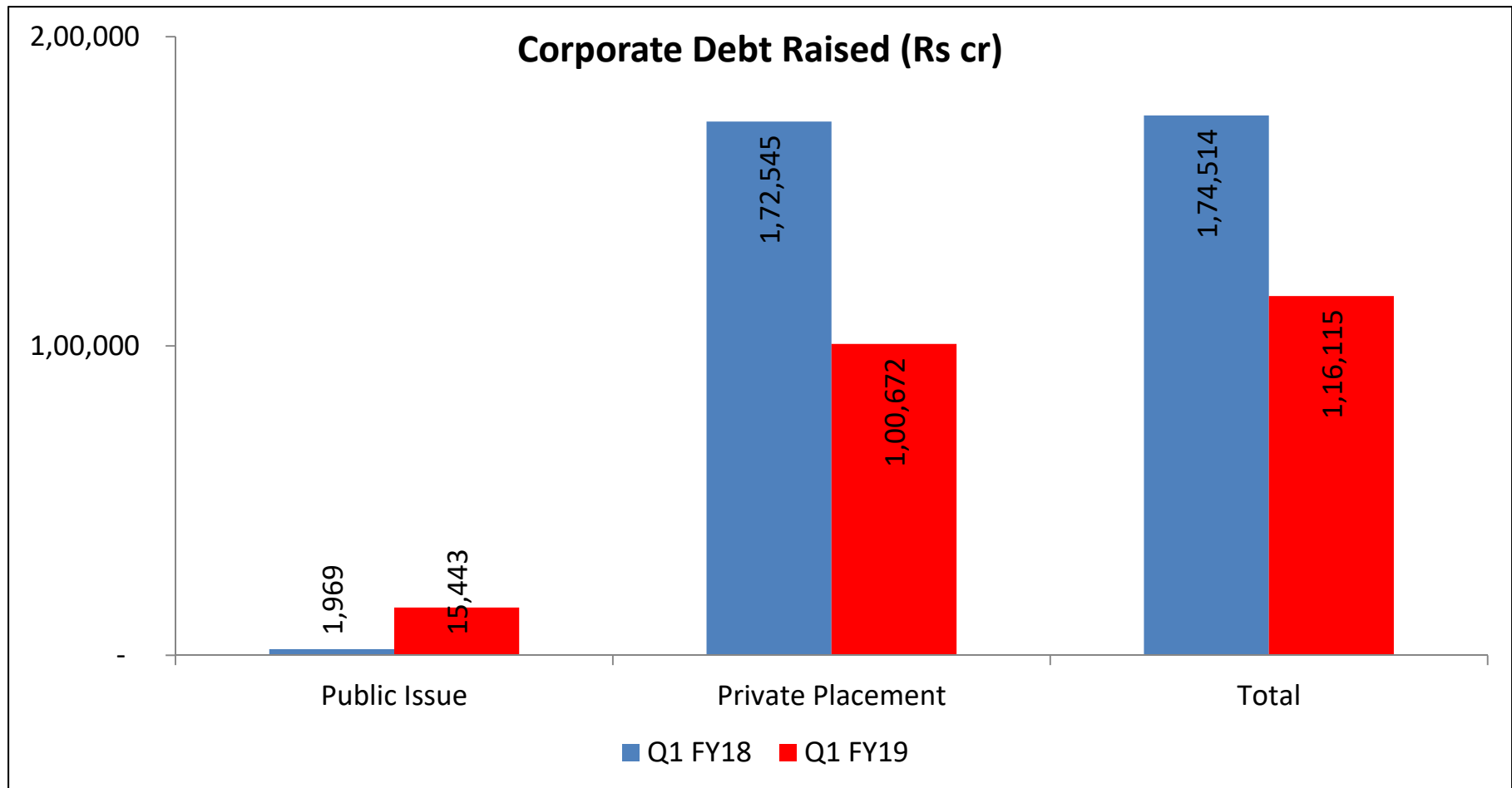




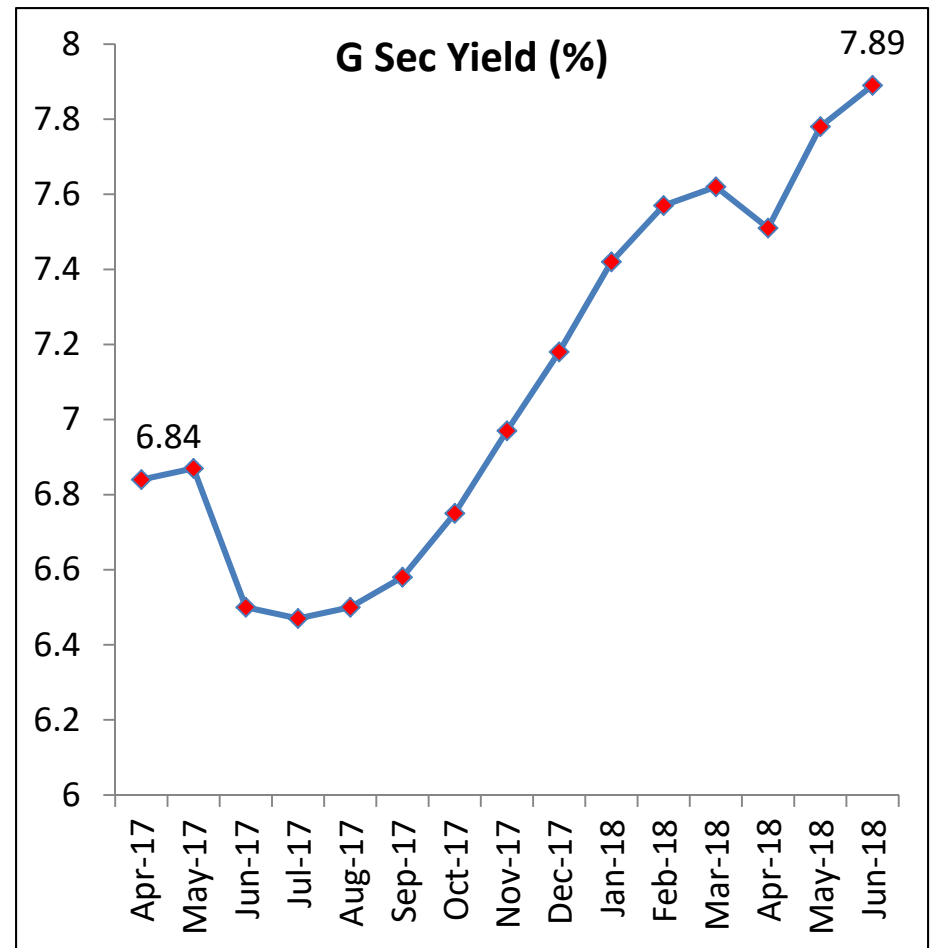
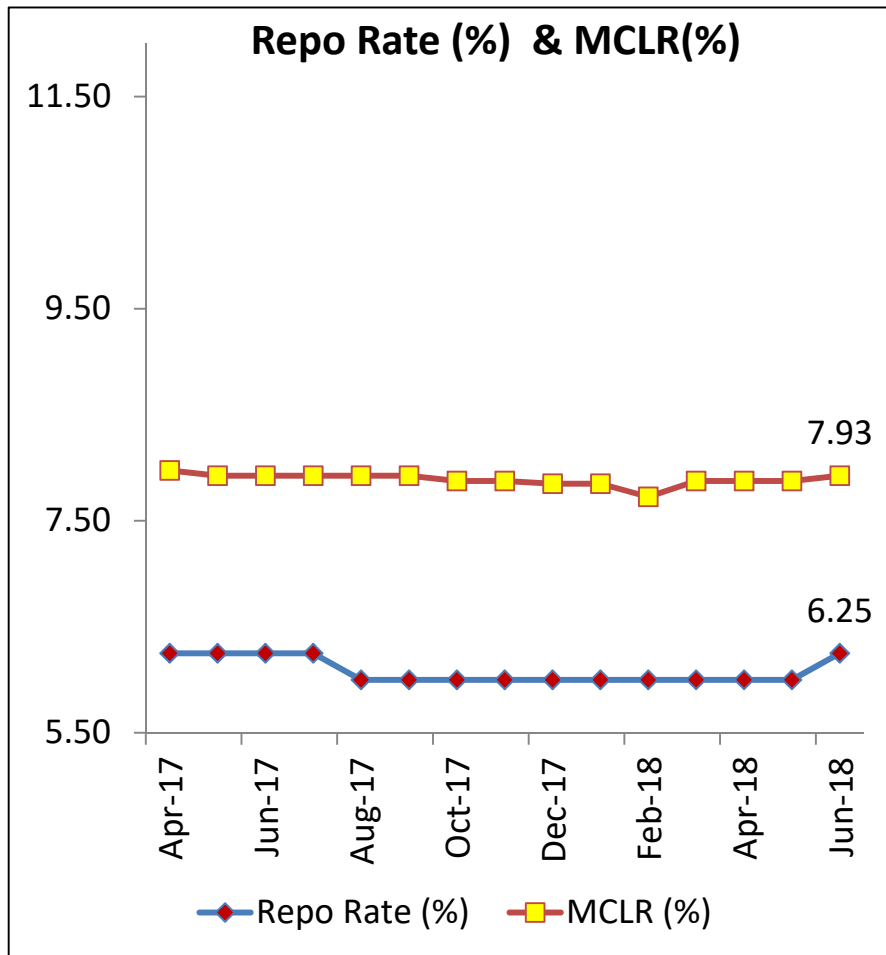
# Economic Backdrop



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# Economic Backdrop



# Economy Overview

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## Positives

- Industrial output up
- Core sector growth up
- Favourable monsoon
- Expected improvement in GDP growth
- Increasing bank credit off take
- Commercial Paper issuances rose

## Negatives

- Pick up in inflation
- Rising interest rates
- Exchange rate depreciated
  - Forex decline
  - FPI outflows
- Fall in debt issuances

# Economic Outlook for FY19

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- GDP growth is expected to be around ~7.5% in FY19
- Inflation expected to be around 5% in FY19
- Rupee to be in the range of Rs.68-68.5/\$
- RBI is expected to increase repo rate by another at least 25 bps in FY19 due to likely inflationary pressures

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# Thank You