
CARE Ratings Limited

Investor Presentation – FY19

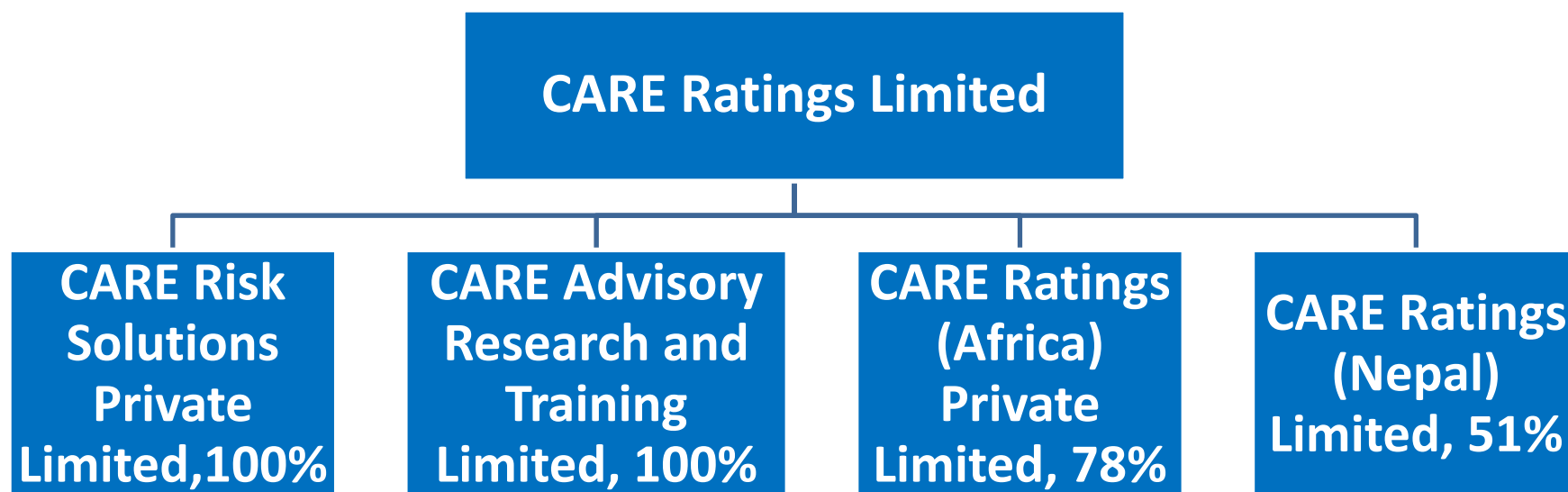
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CARE Ratings Group



Diversified Business Mix

Ratings

- Manufacturing & Services sector
- Financial sector
- Infrastructure
- Small & Medium Enterprises
- Structured Finance
- Sub Sovereign ratings
- Alternate Inv. Fund, Infra. Dev. Fund

International expansion

- Setup a rating agency in Mauritius and Nepal. Exploring neighboring countries, Africa

CARE Advisory Research & Training Ltd.

- Advisory Services
- Training Services
- Customized Research

Information Analysis & Grading

- Industry & Customized Research reports
- CARE Industry Risk Metrics (CIRM) reports
- Grading services
- Training
- Valuations

CARE Risk solutions private Ltd.

- Risk Solutions for
 - Basel II, Credit risks, Operational risks, Fund Transfer Pricing, Asset Liability Mgmt., Value at risk, Capital Adequacy Ratio, IFRS

Experienced & Professional Management

Rajesh Mokashi – MD & CEO



- Over 32 years of experience in finance, commerce and credit risk sectors
- Before joining CARE, worked for Otis Elevator Company India, DSP Financial Consultants & Kotak Mahindra Finance
- Holds Master of Management Studies degree
- Qualified Chartered Financial Analyst



T N Arun Kumar – Executive Director

- 27 years of experience in financial services
- Before joining CARE, worked for The Industrial Finance Corpn. of India Ltd.
- Holds Bachelor's degree in Technology (Agricultural Engineering) from IIT – Kharagpur
- PGDM (Agriculture) from IIM - Ahmedabad
- CFA Charter Holder; FRM



Mehul Pandya – Executive Director

- 20 years of experience in rating services
- In charge of International Operations of CARE
- MBA; CFA

Experienced & Professional Management



Milind Gadkari
*Senior Director,
Ratings*

- 20 years of experience in credit rating, training of new recruits
- Master's degree in management sciences; CFA



Swati Agarwal Jain
*Senior Director,
Business Development*

- 20 years of experience in credit rating, advisory and consultancy
- PGDM



Revati Kasture
*Senior Director,
Ratings*

- 17 years of experience in credit analysis and research services
- C.A.; Cost Accountant



Sanjay Kumar Agarwal
*Senior Director,
Ratings*

- 22 years of experience in corporate and infrastructure finance, risk management and banking
- C.A.; ICWA



Amod Khanorkar
*Senior Director,
Ratings*

- 23 years of experience in credit rating, valuations and project appraisal in infrastructure sector
- PGDM



Madan Sabnavis
Chief Economist

- 29 years of experience in development banking, commercial banking, engineering & commodity markets
- Masters degree in economics



Saikat Roy
*Director,
SME Business
Development*

- 16 years of experience in credit rating and banking sector
- ICWA



Nitin Kumar Agrawal
Chief Financial Officer

- 25 years of experience in finance and accounting, taxation, Planning & Analysis, Investor relations, M&A
- C.A.



Umesh Ikhe
*Chief Technology
Officer*

- 20 years of experience
- Bachelors Degree in Computer Science; Executive General Management Programme from Indian institute of Management

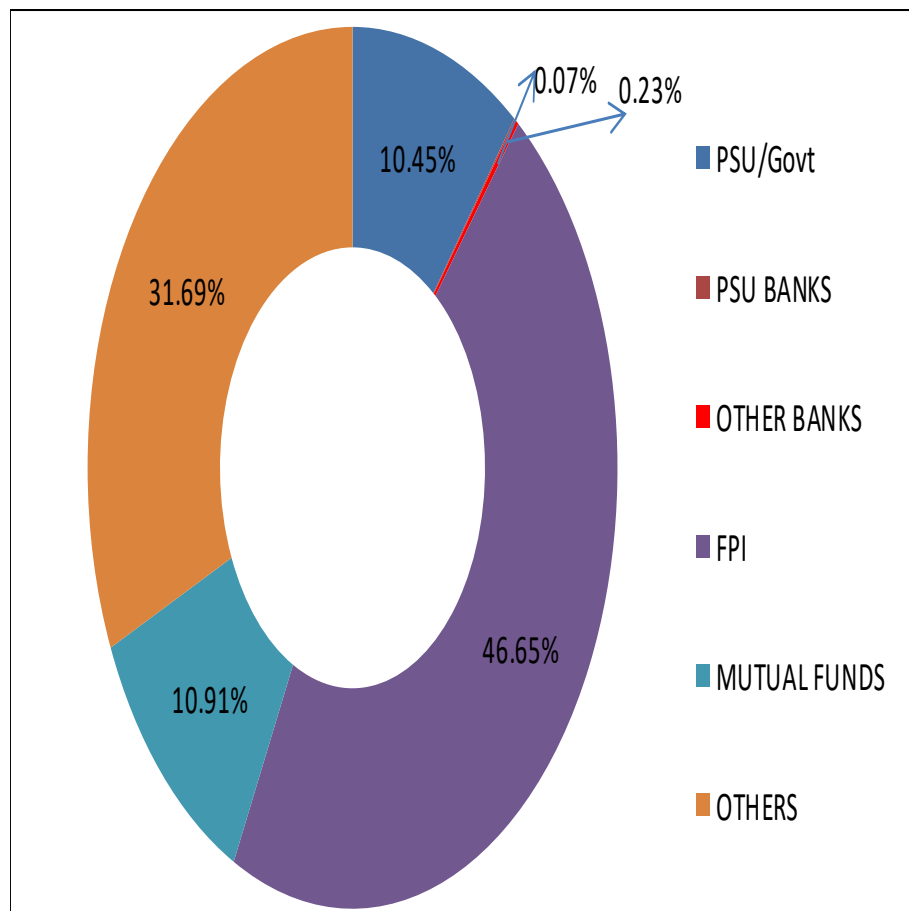


Navin Kumar Jain
Company Secretary

- 30+ years of experience
- ICSI ; Masters in Financial Services Management

Shareholding Snapshot as on March 31, 2019

100% Public Shareholding- Professionally Managed



| Names of Top 20 Shareholders | Holding % |
|---|--------------|
| LIFE INSURANCE CORPORATION OF INDIA+ LIC P & GS FUND | 9.85 |
| CRISIL LIMITED | 8.90 |
| FRANKLIN TEMPLETON INVESTMENT FUNDS+FRANKLIN INDIA SMALLER COMPANIES FUND | 7.59 |
| STICHTING DEPOSITARY APG EMERGING MARKETS EQUITY P | 6.84 |
| VIRTUS KAR INTERNATIONAL SMALL-CAP FUND | 4.34 |
| INDIA CAPITAL FUND LIMITED | 3.55 |
| MAWER GLOBAL SMALL CAP FUND | 3.49 |
| L&T MUTUAL FUND TRUSTEE LIMITED-L&T EMERGING BUSIN | 3.03 |
| BMO INVESTMENTS II (IRELAND) PUBLIC LIMITED CO | 2.84 |
| RUSSELL INVESTMENTS LIMITED | 1.80 |
| BAJAJ HOLDINGS AND INVESTMENT LTD | 1.69 |
| GOVERNMENT PENSION FUND GLOBAL | 1.50 |
| ISHARES CORE EMERGING MARKETS MAURITIUS CO | 1.32 |
| RELIANCE CAPITAL TRUSTEE CO. LTD-A/C RELIANCESMALL | 1.29 |
| VANGUARD EMERGING MARKETS STOCK INDEX FUND, A SERI | 1.29 |
| TATA STEEL LIMITED | 1.20 |
| GOVERNMENT OF SINGAPORE - E | 1.17 |
| L AND T MUTUAL FUND TRUSTEE LTD-L AND T TAX ADV | 1.09 |
| VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND | 1.08 |
| TATA INVESTMENT CORPORATION LIMITED | 1.05 |
| Total for Top 20 Shareholders | 64.92 |

Highlights: FY19(adjusted*)

| Particulars | Standalone FY19 | Consolidated FY19 |
|--|--------------------|----------------------|
| Performance during the Period | | |
| Total Income | -0.03% | 3.19% |
| Revenue From Operations* | -1.5% | 1.9% |
| Operating Profit (Without ESOP) | -7.5% | -6.4% |
| Operating Profit (With ESOP) | -10.0% | -8.9% |
| Other Income | 18.1% | 19.3% |
| Profit Before Tax (without ESOP charge) | -4.5% | -3.5% |

| Particulars | Standalone FY19 | Standalone FY18 | Consolidated FY19 | Consolidated FY18 |
|--|--------------------|--------------------|----------------------|----------------------|
| Margin | | | | |
| Operating Profit Margin(without ESOP) | 60.85% | 64.75% | 57.71% | 62.82% |
| Profit After Tax (without ESOP charge) Margin | 43.91% | 46.88% | 42.01% | 45.70% |
| Operating Profit Margin(with ESOP) | 56.57% | 61.88% | 53.72% | 60.05% |
| Profit After Tax (with ESOP charge) Margin | 41.26% | 45.04% | 39.52% | 43.92% |

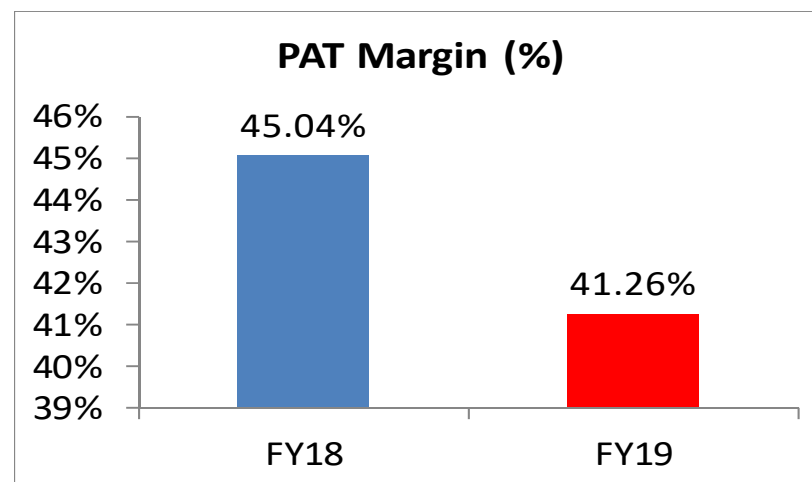
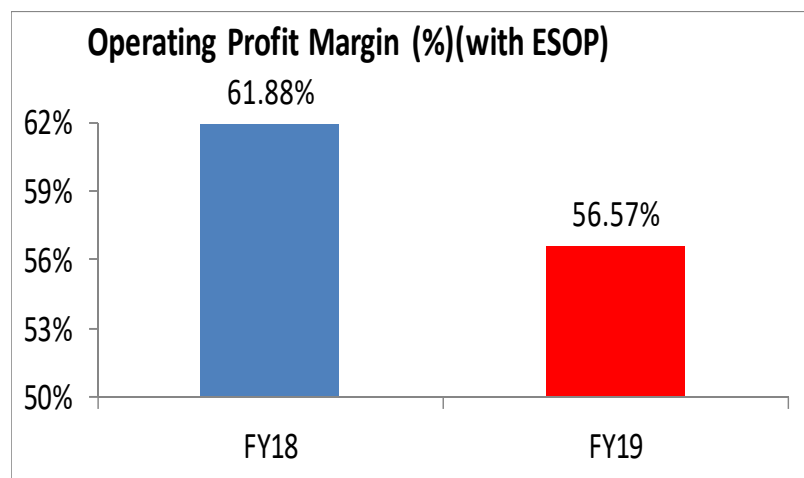
*Revenue from Operations and Profit after Tax stated above does not include the effect of revenue policy change resulting in higher revenue of Rs.1958 Lakhs and PAT of Rs. 1360 Lakhs as reported in the audited results of corresponding year ended FY18 in previous year.

Financial Performance(adjusted*)

| Particulars | Standalone | | | Consolidated | | |
|--|---------------|---------------|---------------|---------------|---------------|--------------|
| | FY19 | FY18 | % Change | FY19 | FY18 | % Change |
| Revenue from Operations* | 29,736 | 30,203 | -1.5% | 31,897 | 31,310 | 1.9% |
| Total Expenses | 11,641 | 10,648 | 9.3% | 13,490 | 11,642 | 15.9% |
| Operating Profit (without ESOP) | 18,095 | 19,555 | -7.5% | 18,407 | 19,668 | -6.4% |
| ESOP Charge | 1,274 | 865 | 47.3% | 1,274 | 865 | 47.3% |
| Operating Profit (with ESOP) | 16,821 | 18,690 | -10.0% | 17,134 | 18,803 | -8.9% |
| Other Income | 2,983 | 2,527 | 18.1% | 3,039 | 2,547 | 19.3% |
| Profit Before Tax * | 19,804 | 21,217 | -6.7% | 20,173 | 21,350 | -5.5% |
| Provision for Tax | 6,306 | 6,475 | -2.6% | 6,366 | 6,478 | -1.7% |
| Profit After Tax * | 13,499 | 14,742 | -8.4% | 13,807 | 14,872 | -7.2% |
| Operating Profit margin (%) (without ESOP) | 60.9% | 64.7% | | 57.7% | 62.8% | |
| Operating Profit margin (%) (With ESOP) | 56.6% | 61.9% | | 53.7% | 60.1% | |
| Profit Before Tax margin (%) (without ESOP) | 64.4% | 67.5% | | 61.4% | 65.6% | |
| Profit Before Tax margin (%) (With ESOP) | 60.5% | 64.8% | | 57.7% | 63.1% | |
| Net Profit margin (%) (without ESOP) | 43.9% | 46.9% | | 42.0% | 45.7% | |
| Net Profit margin (%) (With ESOP) | 41.3% | 45.0% | | 39.5% | 43.9% | |
| Basic EPS (Rs. per share) | 45.82 | 50.04 | | 46.66 | 50.51 | |

* 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 FY18 is higher by Rs. 19.58 crore and PAT is higher by Rs. 13.60 crore in FY18. The slides in this presentation compares FY18 numbers excluding the impact of this change

Financial Performance:FY19 (Rs cr)-Standalone (adjusted*)



Towards the end of the second quarter of FY19 the NBFC sector faced headwinds which impacted the borrowing plans of this crucial segment of the economy. Further the capex related borrowing of the corporate sector also remained subdued. As a result, the company's performance did get impacted. However when looked at the above backdrop, the company has managed to perform satisfactorily.

FY19 Operating profit margin stood at 56.57% & PAT margin moderated to 41.26% mainly due to Increase in salary cost of Rs.8.05 cr, ESOP cost of Rs.4.09cr, and CSR expenses of Rs.3 cr.

**Revenue from Operations and Profit after Tax stated above does not include the effect of revenue policy change resulting in higher revenue of Rs.1958 Lakhs and PAT of Rs. 1360 Lakhs as reported in the audited results of corresponding year ended FY18 in previous year.*

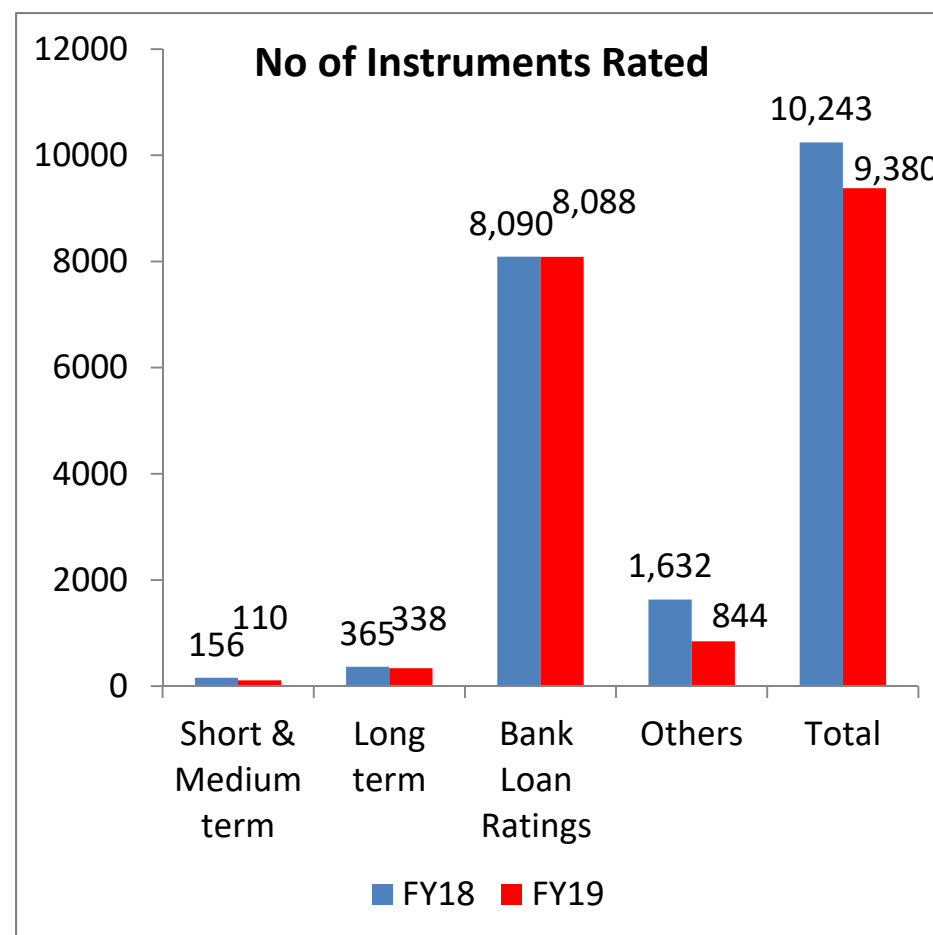
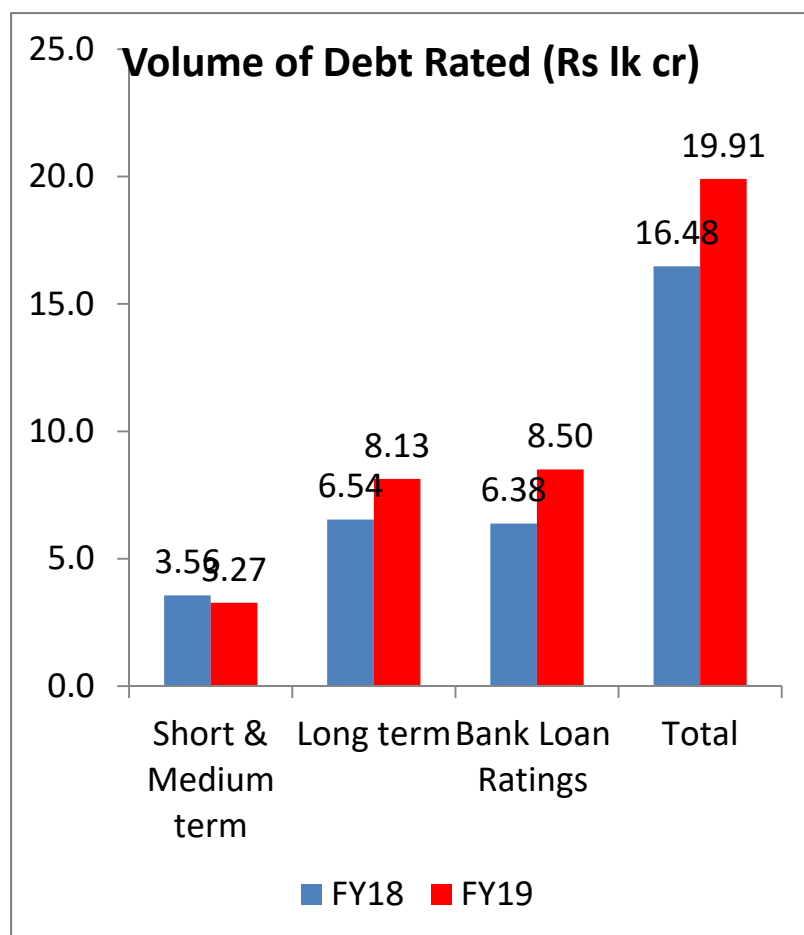
Financial Performance – without adjustment

Rs. Lakhs

| Particulars | Standalone | | % Change | Consolidated | | % Change |
|--|---------------|---------------|----------------|---------------|---------------|----------------|
| | FY19 | FY18 | | FY19 | FY18 | |
| Revenue from Operations | 29,736 | 32,161 | -7.54% | 31,897 | 33,268 | -4.12% |
| Total Expenses | 11,641 | 10,648 | 9.33% | 13,490 | 11,642 | 15.87% |
| Operating Profit (without ESOP) | 18,095 | 21,513 | -15.89% | 18,407 | 21,626 | -14.88% |
| ESOP Charge | 1,274 | 865 | 47.27% | 1,274 | 865 | 47.27% |
| Operating Profit (with ESOP) | 16,821 | 20,648 | -18.53% | 17,134 | 20,761 | -17.47% |
| Other Income | 2,983 | 2,527 | 18.05% | 3,039 | 2,547 | 19.34% |
| Profit Before Tax | 19,804 | 23,175 | -14.55% | 20,173 | 23,308 | -13.45% |
| Provision for Tax | 6,306 | 7,073 | -10.84% | 6,366 | 7,074 | -10.01% |
| Profit After Tax | 13,499 | 16,103 | -16.17% | 13,807 | 16,234 | -14.95% |

| | | | | |
|--|-------|-------|-------|-------|
| Operating Profit margin (%) (without ESOP) | 60.9% | 66.9% | 57.7% | 65.0% |
| Operating Profit margin (%) (With ESOP) | 56.6% | 66.9% | 53.7% | 65.0% |
| Profit Before Tax margin (%) (without ESOP) | 64.4% | 69.3% | 61.4% | 67.5% |
| Profit Before Tax margin (%) (With ESOP) | 60.5% | 66.8% | 57.7% | 65.1% |
| Net Profit margin (%) (without ESOP) | 40.1% | 40.9% | 42.0% | 47.0% |
| Net Profit margin (%) (With ESOP) | 41.3% | 46.4% | 39.5% | 45.3% |
| Basic EPS (Rs. per share) | 45.82 | 54.10 | 46.66 | 54.54 |

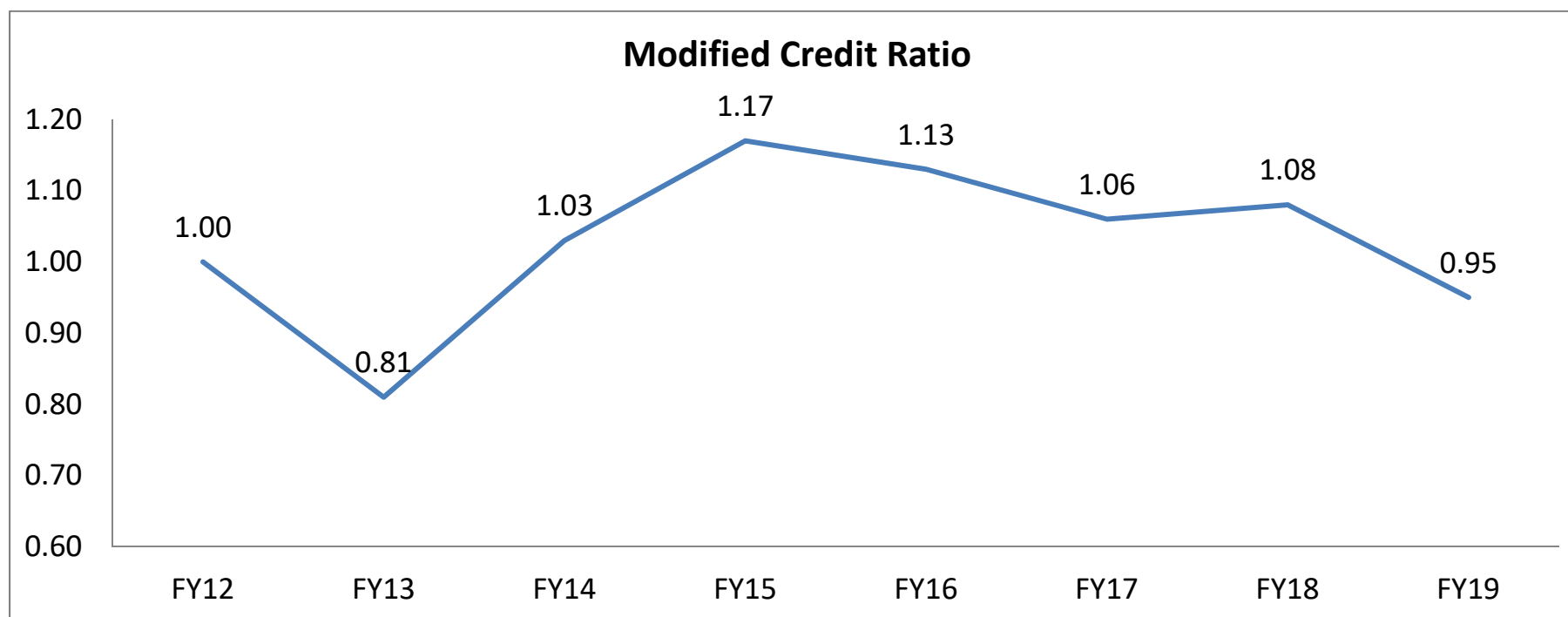
Business Performance: FY19



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

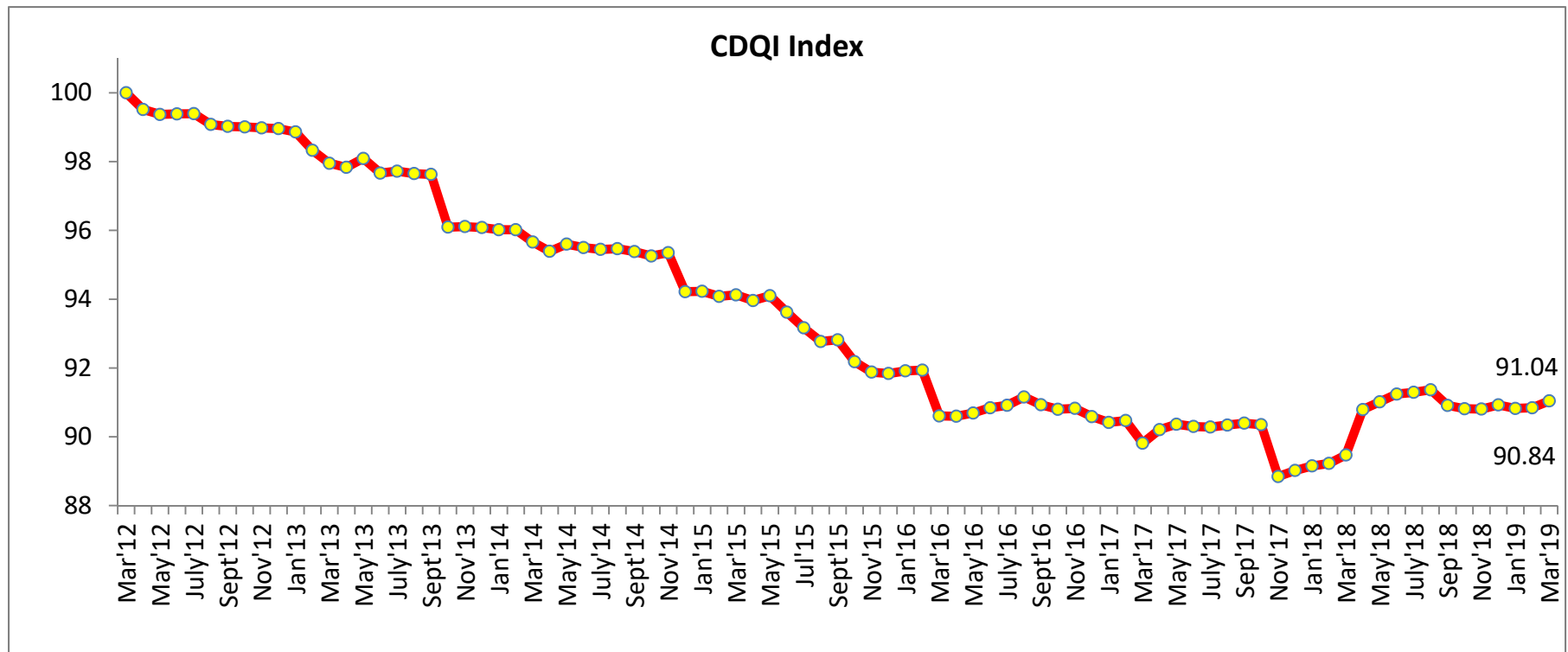
Rating Movement

There has been a moderation in credit quality of entities rated by CARE Ratings in 2018-19. The credit quality as measured by CARE Ratings 'modified credit ratio' (MCR), for 2018-19 came in at 0.95 compared with the ratio of 1.08 in 2017-18. The softening in overall credit quality in 2018-19 can partly be ascribed to the small enterprises (total revenues less than Rs.100 crs), which have seen a decline in credit quality, while the large and medium enterprises have been steering the overall stability in credit quality. The stability in rating was noted across sectors with the majority of sectors having a higher proportion of reaffirmation of credit ratings in 2018-19.

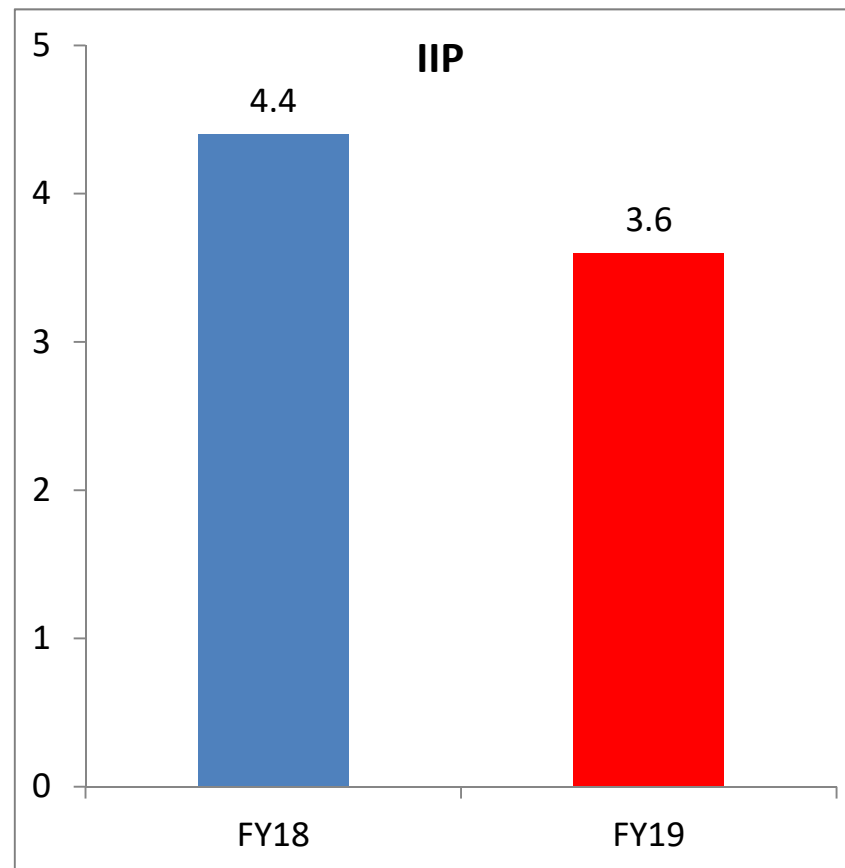
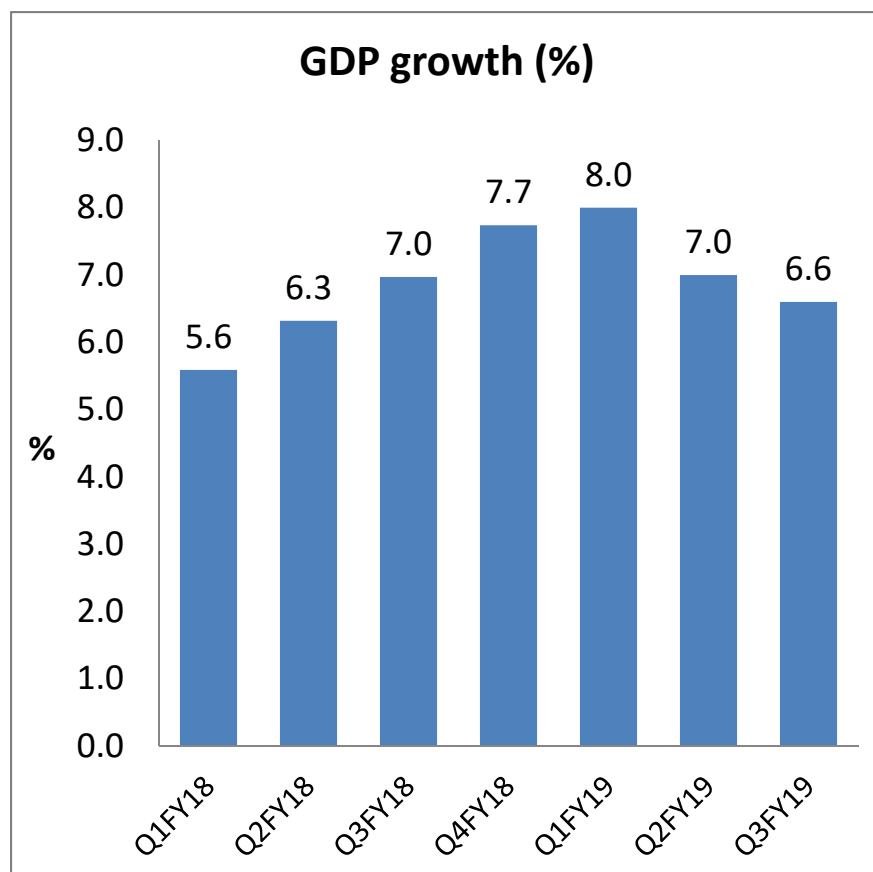


CARE Ratings Debt Quality Index (CDQI)

CDQI showed an improving trend during the first five months of FY19. However, it fell marginally in the months of September and October'18 and remained more or less stable in the months of November'18 – February'2019. It, thereafter, increased in the month of March'19.

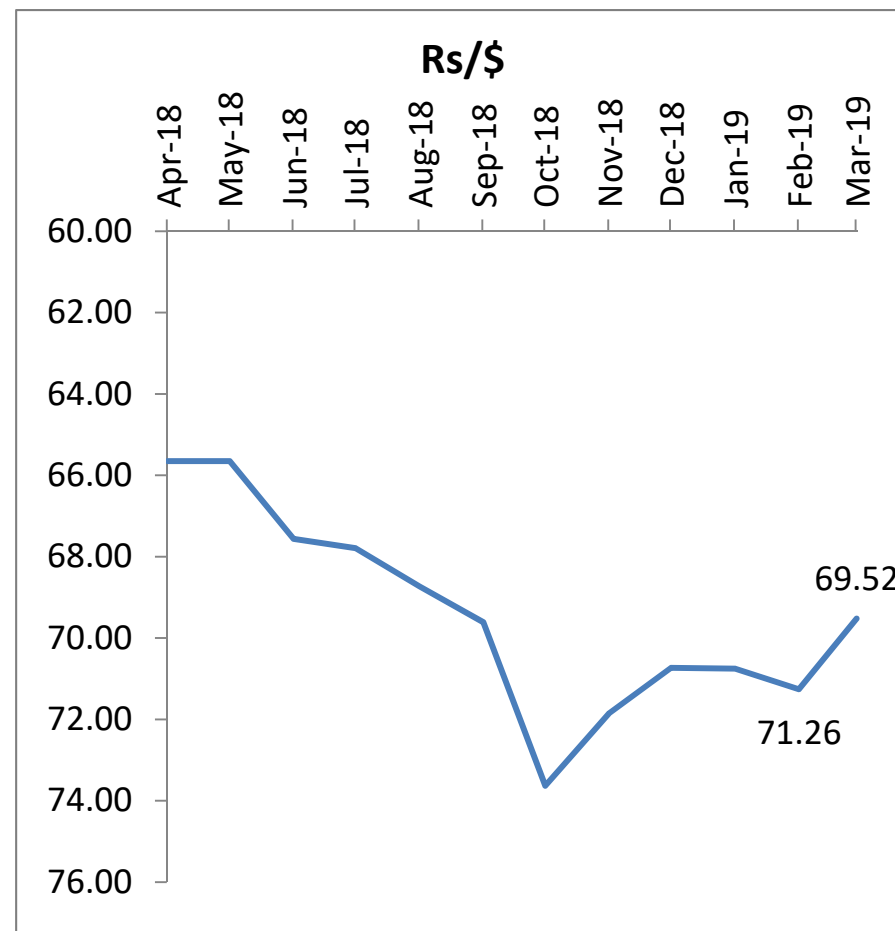
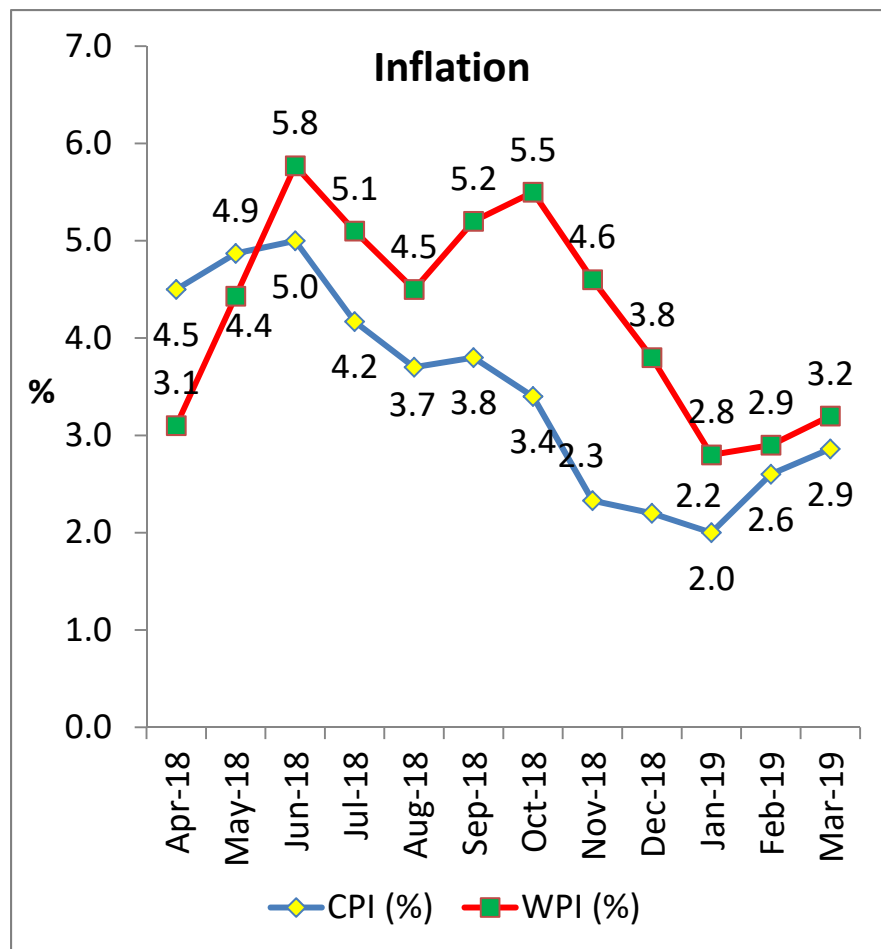


Economic Backdrop

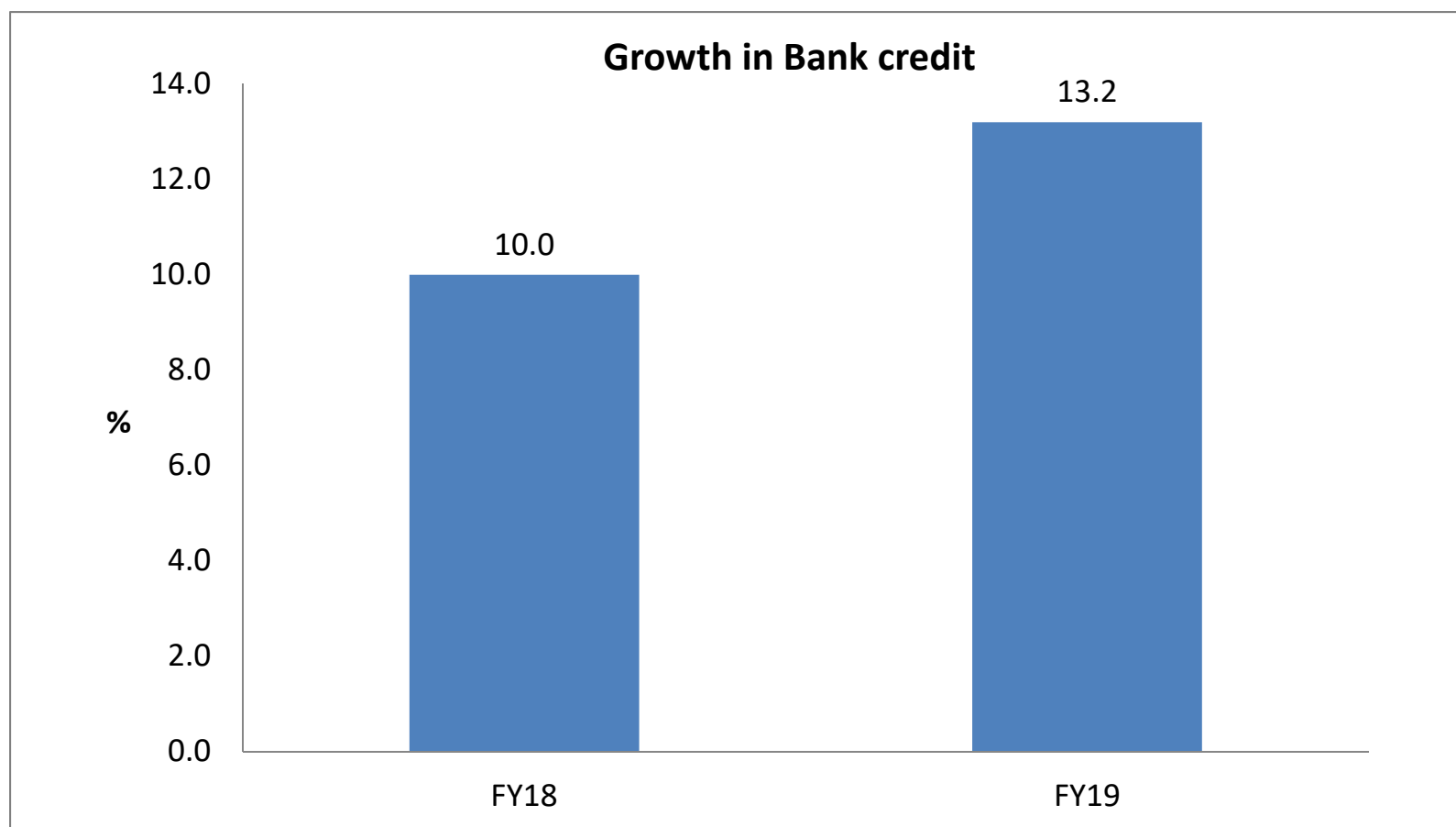


CSO has estimated 7% growth for FY19
We are expecting 6.9% for the fiscal year

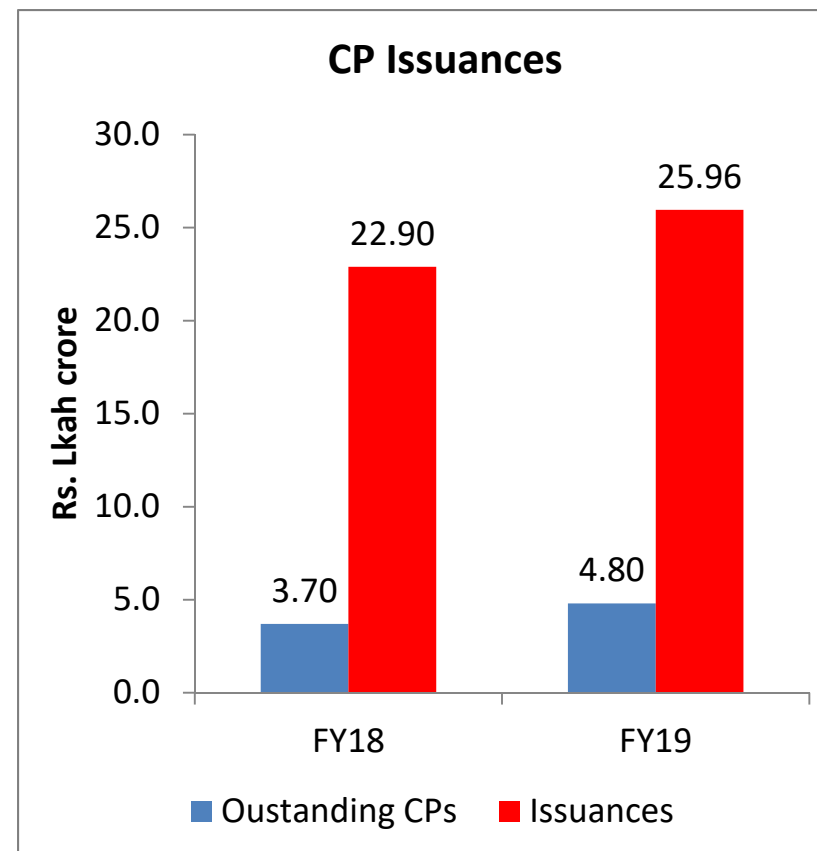
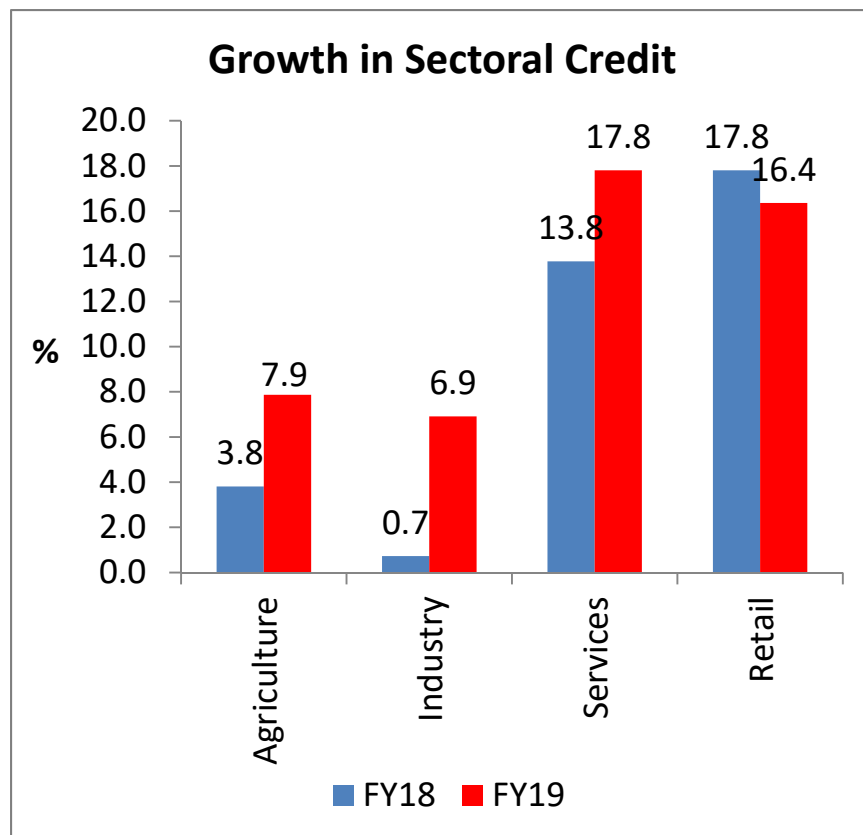
Economic Backdrop



Economic Backdrop

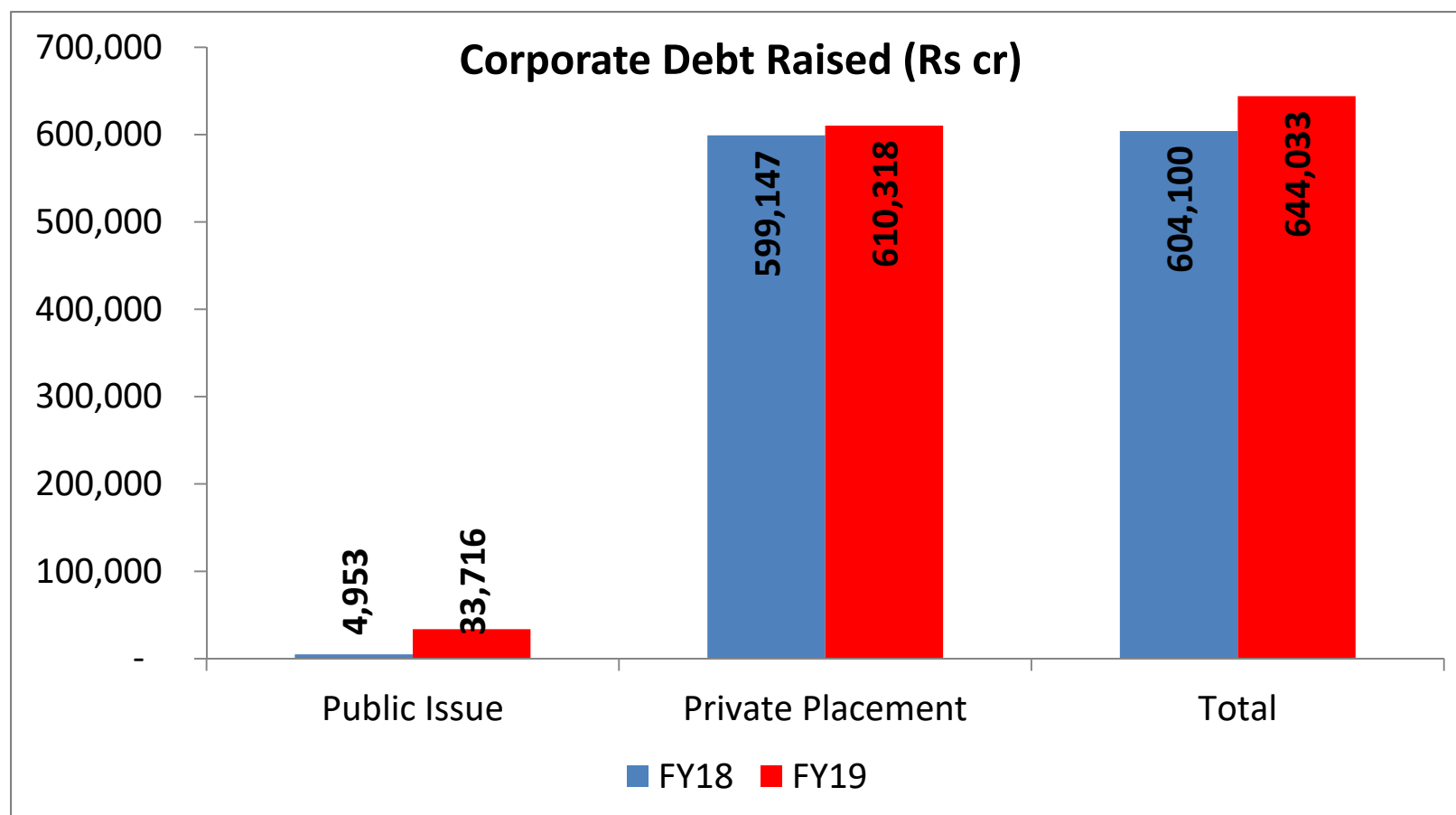


Economic Backdrop

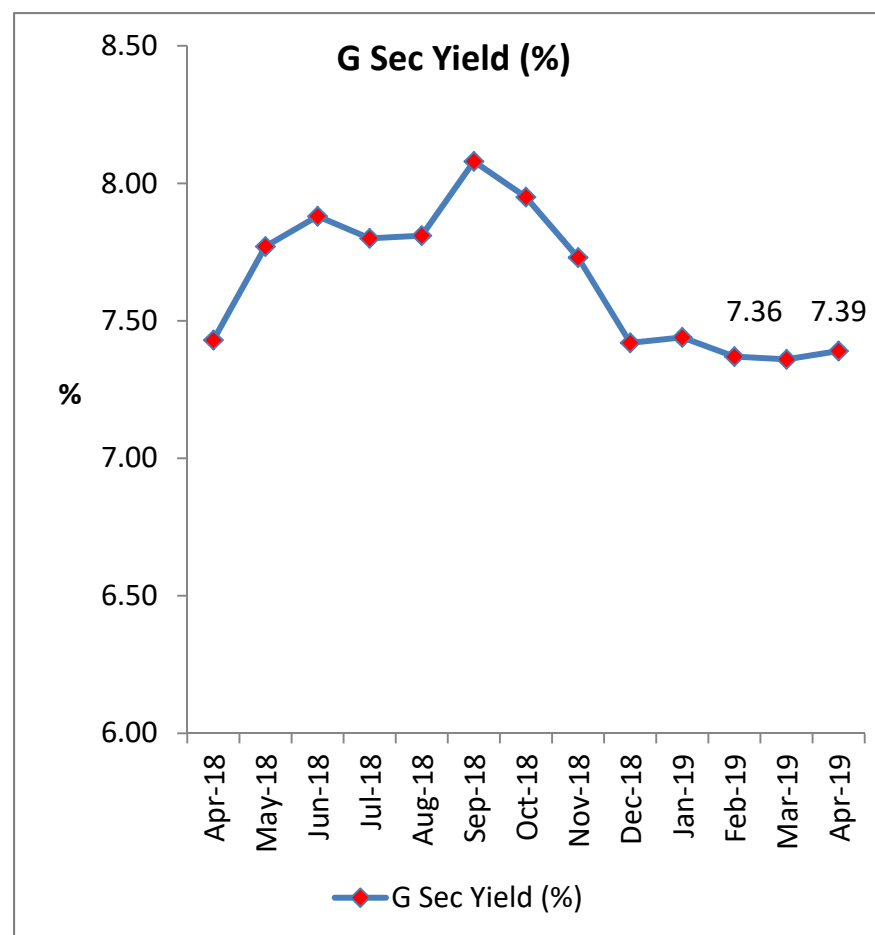
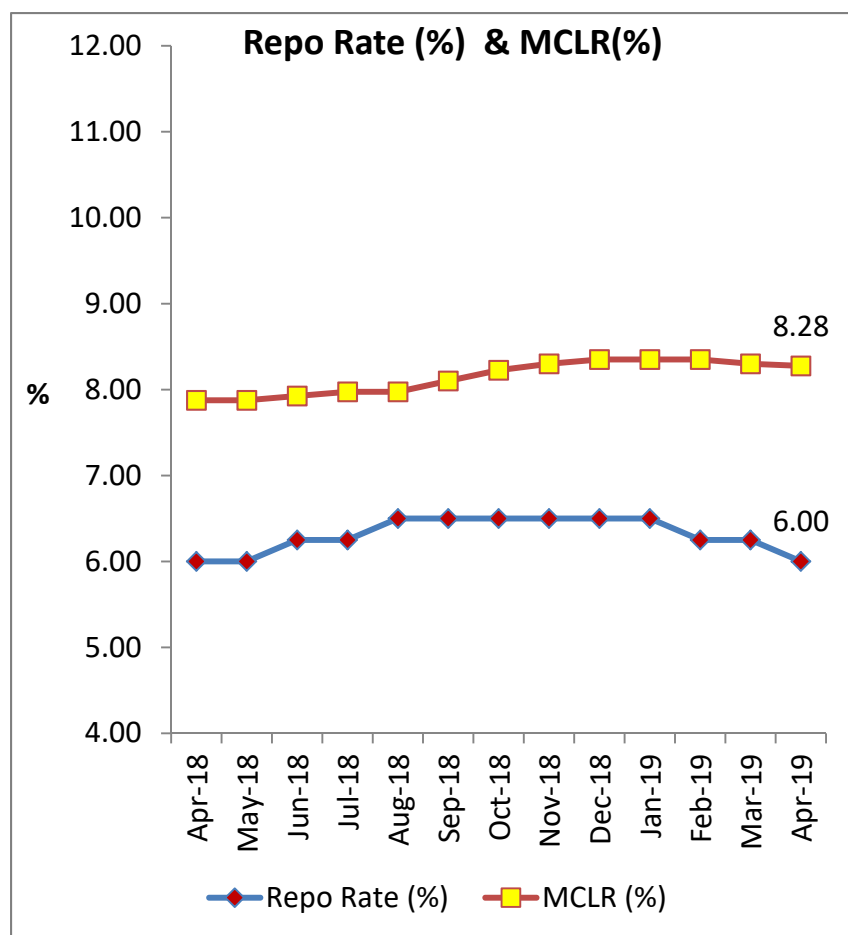


Mfg + services has grown at 11.6% in FY19 compared with 6% growth in FY18.

Economic Backdrop



Economic Backdrop



Economy Overview

Positives

- Easing inflation
- Increasing bank credit off take
- Commercial Paper issuances rose
- Fall in interest rates
- Strengthening Rupee

Negatives

- Subdued economic growth
- Decline in debt issuances
- Subdued industrial output
- Stagnant core sector growth

Economic Outlook for FY20

- GDP growth is expected to be around 6.9% in FY19 and 7.1% in FY20
- Inflation expected to be around 4-4.5% in FY20 contingent upon global crude oil prices
- Exchange rate of Rupee to depreciate by 3.5-4% during the year assuming crude oil prices to remain stiff
- RBI is expected to lower the repo rate by 25-50 bps depending upon how inflation pans out

Thank You