



*Celebrating Two Decades of Analytical Excellence*

Q2 & H1 FY2014 Results Presentation

*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.*



# Quarterly & Half yearly Performance

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# Economic backdrop (April-September)

CARE's performance should be viewed against backdrop of overall economic conditions and capital market activity

- GDP growth in Q1 slows down to 4.4%
- Industrial growth of 0.4% during April-September
- Interest rates increased by RBI by 25 bps in Q2: inflation a major concern
- Several other measures to control exchange rate volatility: reversed in October
- While bank credit growth picks up, debt market offerings lower
- Limited progress in infrastructure growth

# Key Highlights

- Total Income growth of 18.0% in HIFY14 over HIFY13
- EBITDA margins at 69.4% and PAT margins at 49.0% in HI FY14
- 1,457 new clients added during HIFY14
- 2<sup>nd</sup> Interim Dividend declared of Rs. 6 per share – Payout of 68% for HI FY14
- In process of setting up a CRA in Mauritius
- Launched Infrastructure Debt Funds ratings
- Started Grading of Renewable Energy Companies/Projects

# MD and CEO's Message

Commenting on the results and performance for Q2 & H1 FY14, Mr. D.R. Dogra, Managing Director and CEO of CARE Ratings said:

*“Given the rather subdued performance of the Indian economy, volatility in forex markets necessitating affirmative action from the policy makers and resulting subdued credit and debt markets, our performance has been fairly stable with steady growth in income and maintenance of growth in profit and profit margins. We do expect conditions to improve in the economy in the coming months, based on a revival in consumer and investment demand, which should hopefully help us scale up our business lines. Meanwhile we continue to focus on all the three targets segments: debt, bank loans and SMEs, to remain ahead of the curve.*

*As a Company, we are always looking to introduce new services to our portfolio that add value to the marketplace we operate in. During the quarter, we launched ratings for Infrastructure Debt Funds, which are becoming progressively more vibrant in the market and grading of renewable energy companies/projects. We remain focussed on the SME segment which is part of our strategy of growing business.*

*In Q2 FY2014, we continued to create value for our shareholders. I am pleased to share that the Board has declared an interim dividend of Rs. 6 per share. This amounts to a total dividend of Rs. 12 per share for H1 FY2014, translating to a strong payout ratio of 68%.*

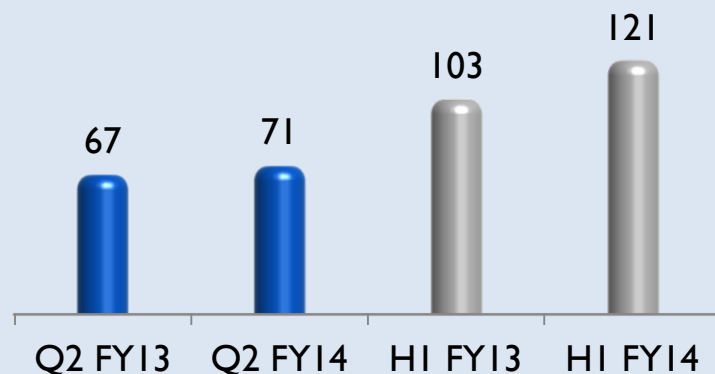
*Our superior business model, growing brand equity, human capital efficiencies, expansive distribution network and strong financial position has placed us on a firm footing to capture emerging sector prospects. We will continue to work through the economic challenges. We do hope that the economic environment improves with the credit offtake picking and debt markets improving.”*

# Financial Performance – Q2 & HI FY14

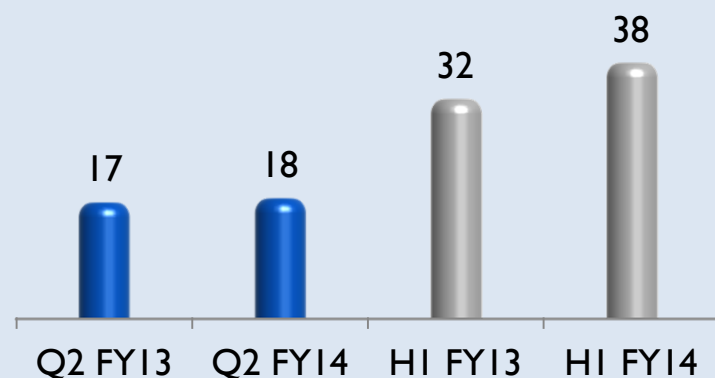
| Rs. crore             | Q2 FY14      | Q2 FY13      | Growth (%)  | HI FY14       | HI FY13       | Growth (%)   |
|-----------------------|--------------|--------------|-------------|---------------|---------------|--------------|
| Rating Revenue        | 65.07        | 62.34        | 4.37        | 99.52         | 89.82         | 10.80        |
| Other Revenue         | 0.21         | 0.02         | 950         | 0.44          | 0.07          | 528.57       |
| <b>Total revenue</b>  | <b>65.28</b> | <b>62.36</b> | <b>4.68</b> | <b>99.96</b>  | <b>89.89</b>  | <b>11.20</b> |
| Other income          | 5.45         | 4.19         | 30.07       | 21.05         | 12.64         | 66.53        |
| <b>Total income</b>   | <b>70.73</b> | <b>66.55</b> | <b>6.28</b> | <b>121.01</b> | <b>102.53</b> | <b>18.02</b> |
| Employee cost         | 11.71        | 11.66        | (0.43)      | 26.87         | 23.62         | 13.76        |
| Other expenses        | 5.98         | 4.32         | 38.43       | 10.18         | 7.07          | 43.99        |
| Depreciation          | 0.79         | 1.15         | (31.30)     | 1.32          | 1.60          | (17.50)      |
| <b>Total Expenses</b> | <b>18.48</b> | <b>17.13</b> | <b>7.88</b> | <b>38.37</b>  | <b>32.29</b>  | <b>18.83</b> |
| <b>EBITDA</b>         | <b>53.03</b> | <b>50.57</b> | <b>4.87</b> | <b>83.97</b>  | <b>71.84</b>  | <b>16.88</b> |
| <b>PBT</b>            | <b>52.24</b> | <b>49.42</b> | <b>5.71</b> | <b>82.65</b>  | <b>70.24</b>  | <b>17.67</b> |
| <b>PAT</b>            | <b>35.05</b> | <b>33.09</b> | <b>5.92</b> | <b>59.35</b>  | <b>49.89</b>  | <b>18.96</b> |

# Income and Expenditure

## Total Income (Rs. crore)



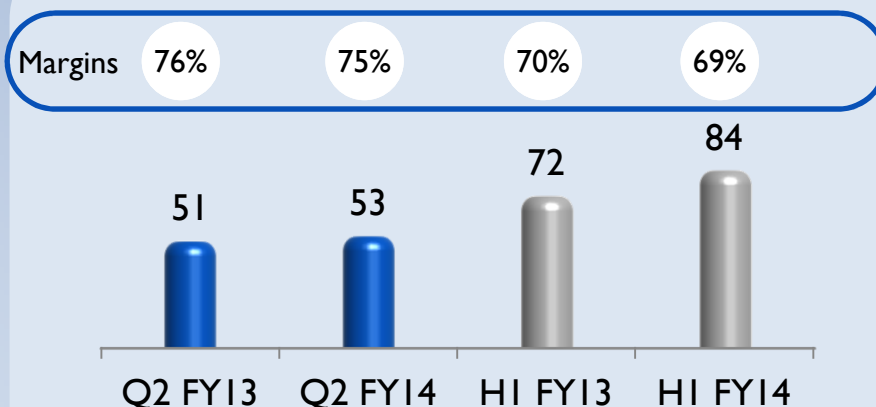
## Total Expenditure (Rs. crore)



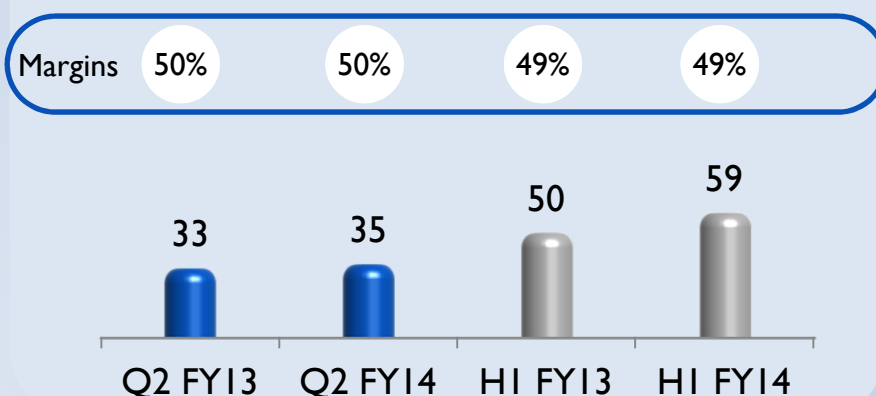
- Total income in Q2FY14 increased by 6.28% and in HI FY14 improved by 18.02% compared with the corresponding period last year
- Growth in Q2FY14 total income was driven by fresh business and ongoing surveillances of ratings
- Other income of Rs. 5.45 crore comprises income from tax efficient instruments like Fixed Maturity Plan (FMP) and tax free bonds.
- Lower growth in expenditure as a percentage of total income in Q2 FY14 due to conscious cost controls exercised in operations



## EBITDA (Rs. crore)

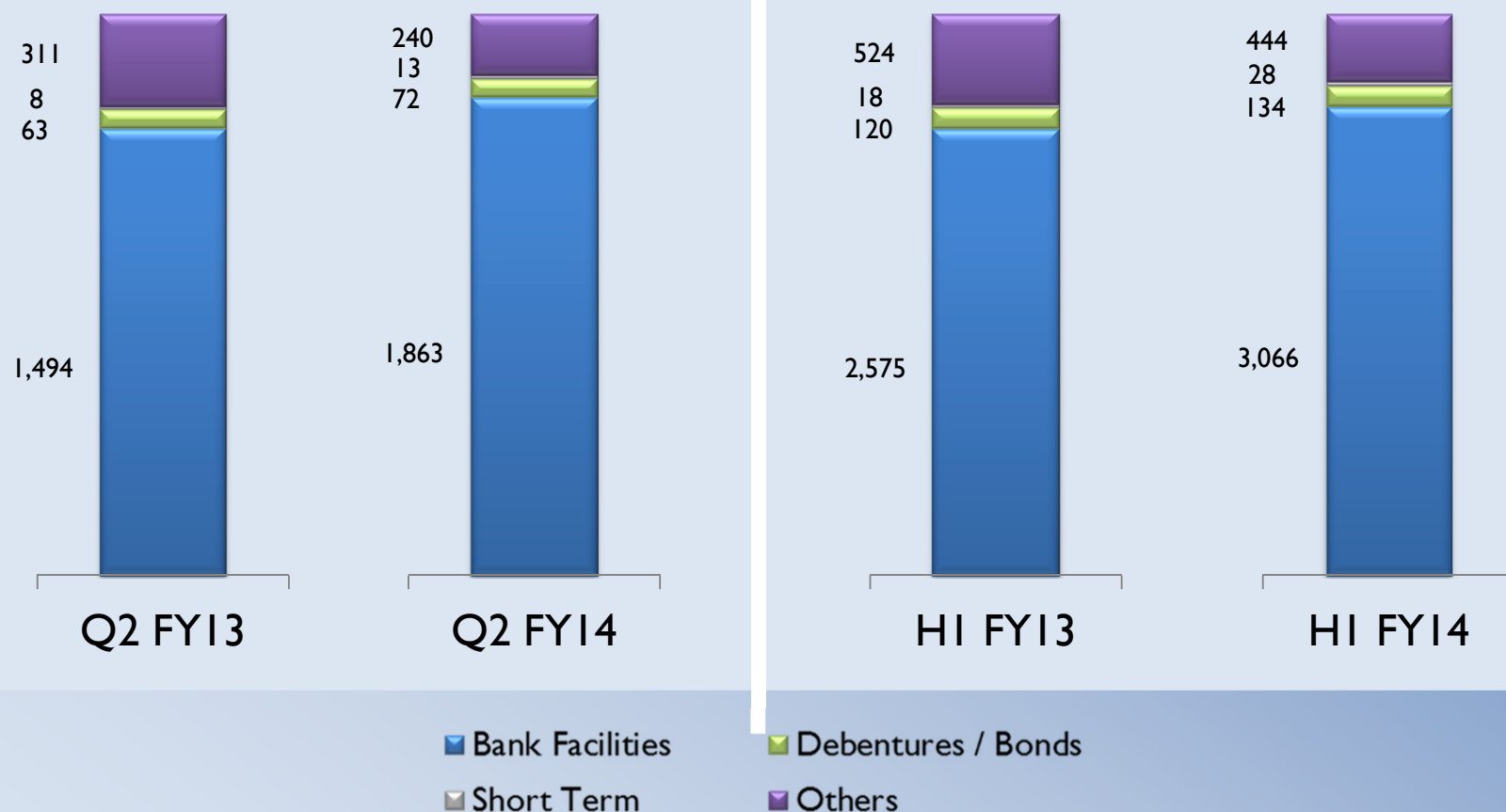


## PAT (Rs. crore)



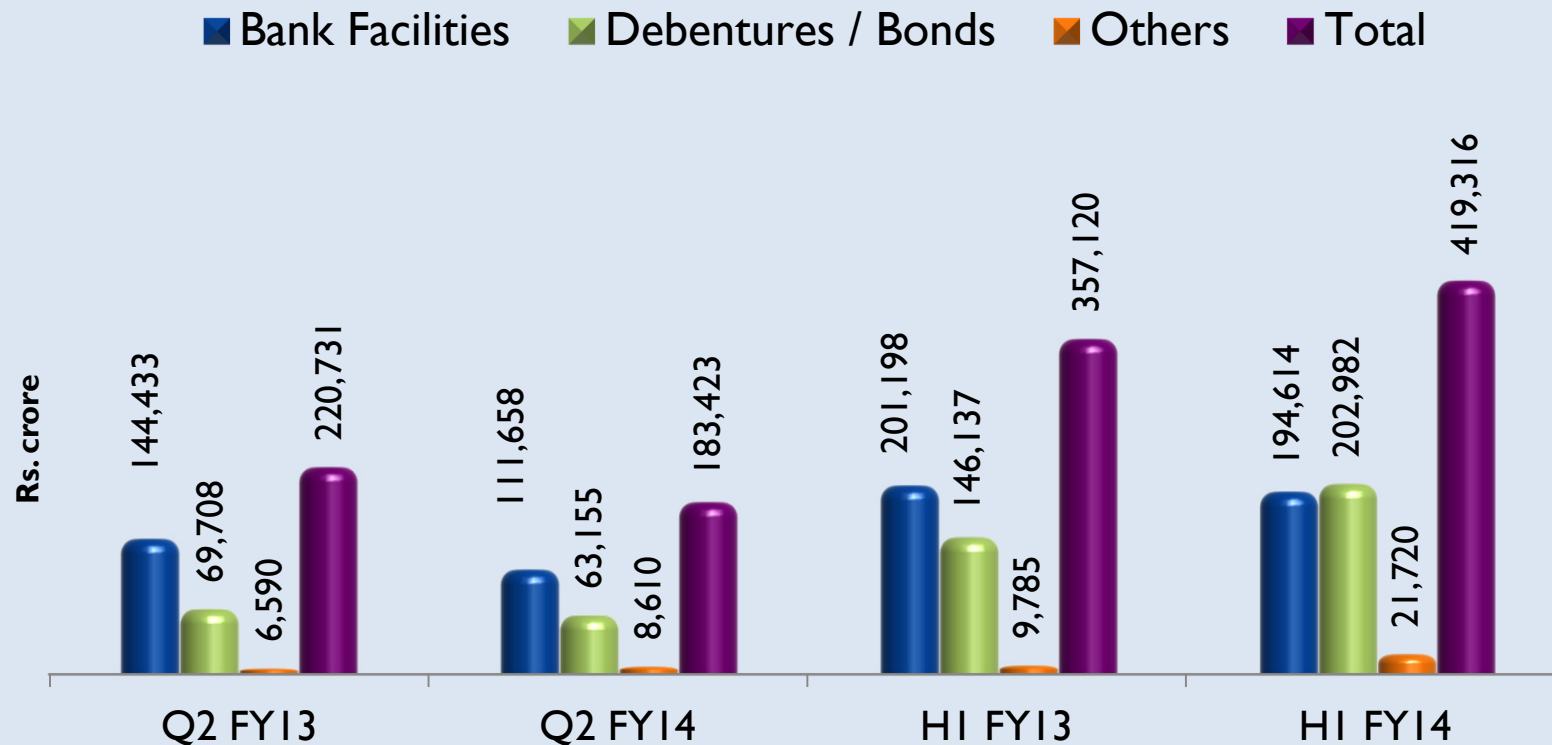
- EBITDA augments by 4.87% in Q2FY14 and by 16.88% in HI FY14
- Higher total income along with lower expenditure enabled the Company to deliver growth in EBITDA and PAT
- PAT better by 5.92% in Q2 FY14 and by 18.96% in HI FY14

# Number of Assignments



- Total number of assignments grew by 16.6% to 2,188 in Q2 FY14 as against 1,876 in Q2 FY13
- No. of bank Facilities rated saw an increase of 24.7% while the number of debentures rated increased by 14.3%

# Volume of Debt Rated



- In Q2FY14, volume of bank facilities and debenture/bond segments remained stable resulting from a subdued economic environment



# 5 year Performance Snapshot

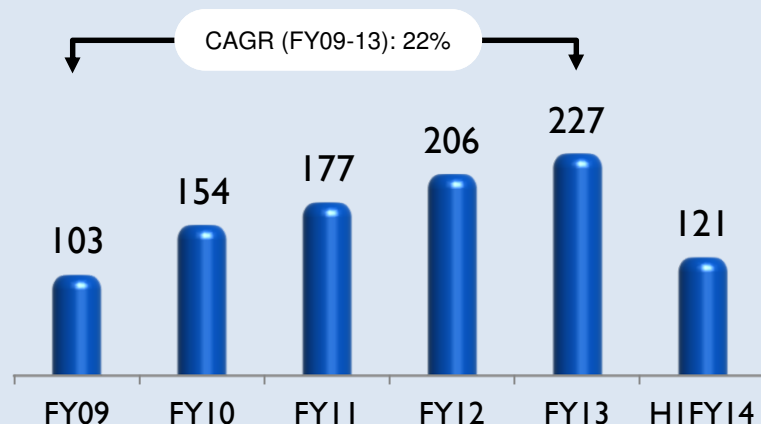


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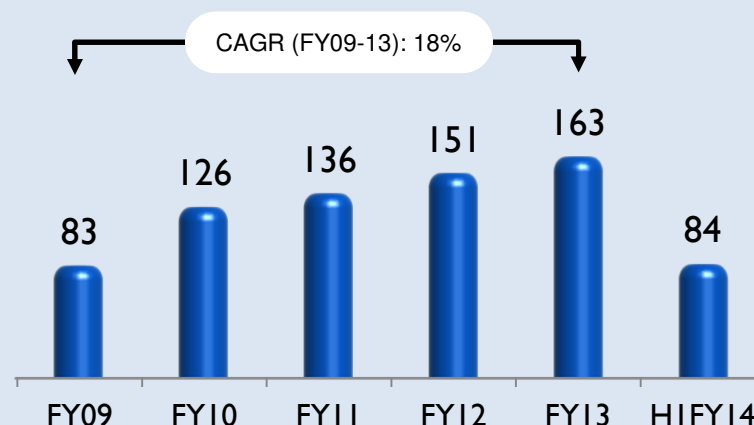
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# Strong Financial Position and Profitability

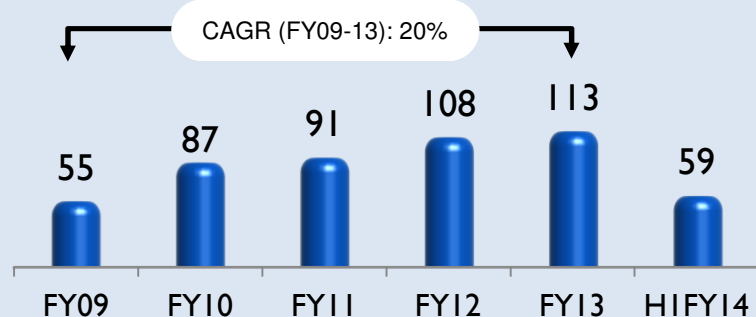
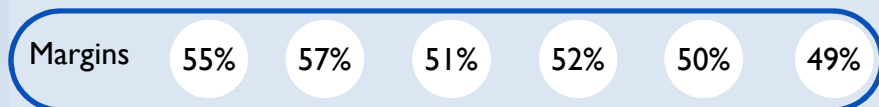
## Total Income (Rs. crore)



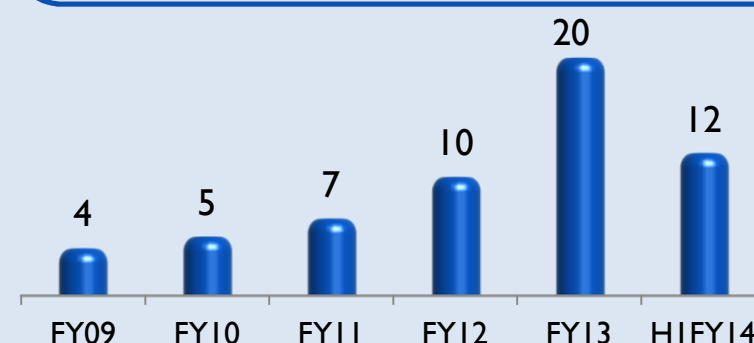
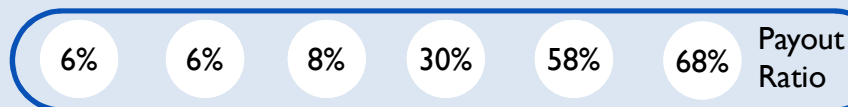
## EBIDTA (Rs. crore)



## Profit After Tax (Rs. crore)



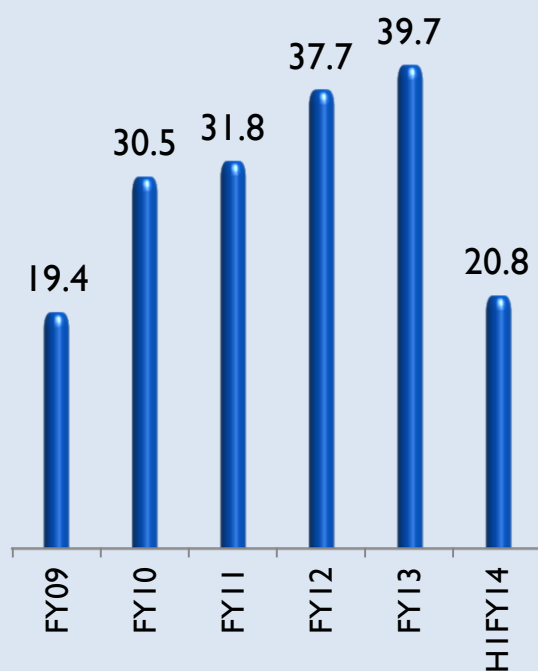
## Dividend per share of Rs. 10



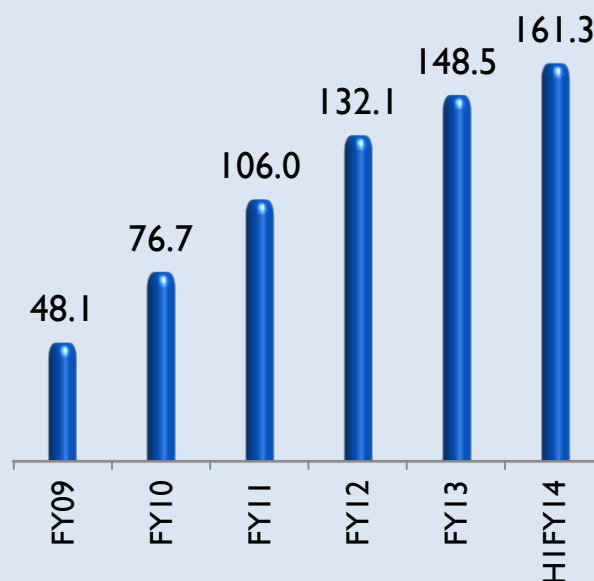
60% Interim dividend declared for Q2 FY14

# Key Ratios

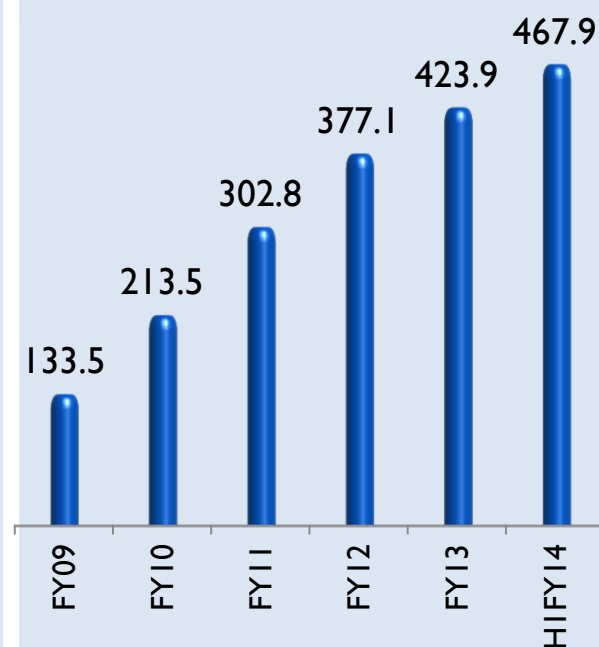
**Earning Per Share (Rs.)**



**Book Value Per Share (Rs.)**



**Networth (Rs. crore)**

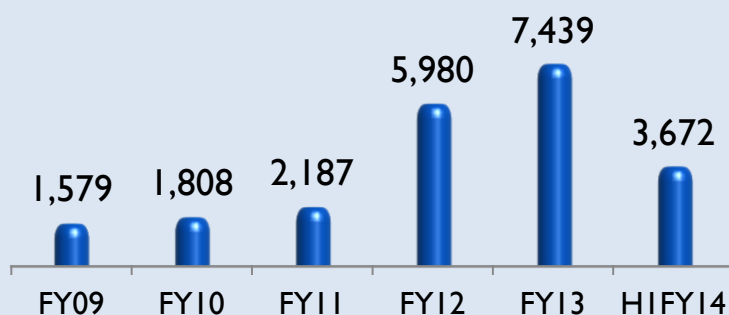


EPS for HIFY14 is not annualized

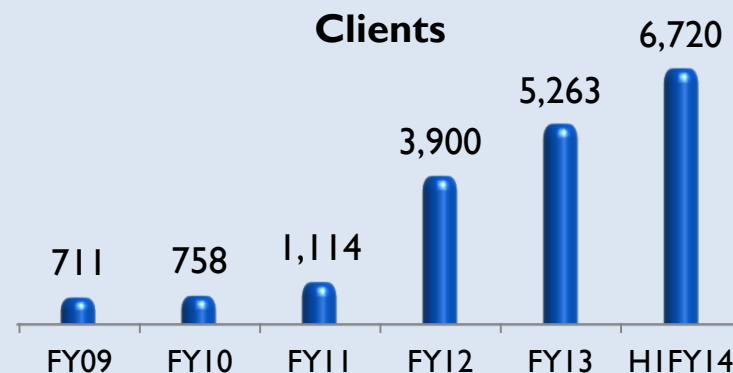
# Robust Operational performance

Substantial operational growth in varied macroeconomic environment & subdued business sentiment

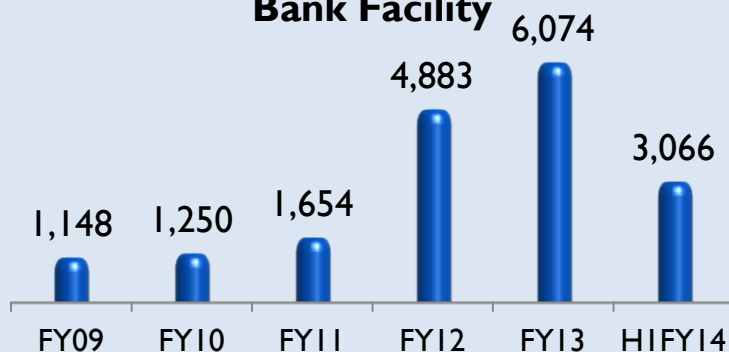
## Assignments



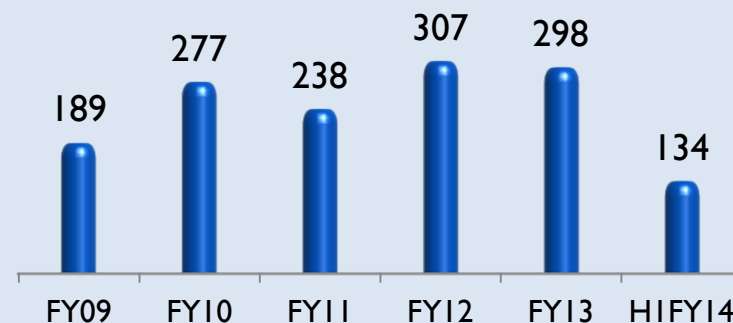
## Clients



## Bank Facility



## Debentures/Bonds



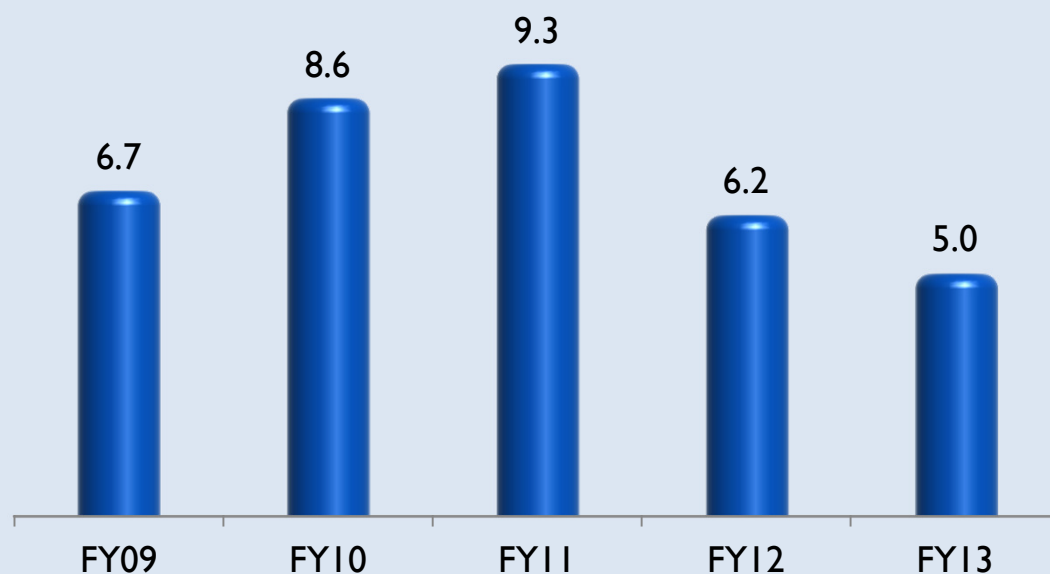


# Economic Backdrop





# Gross Domestic Product



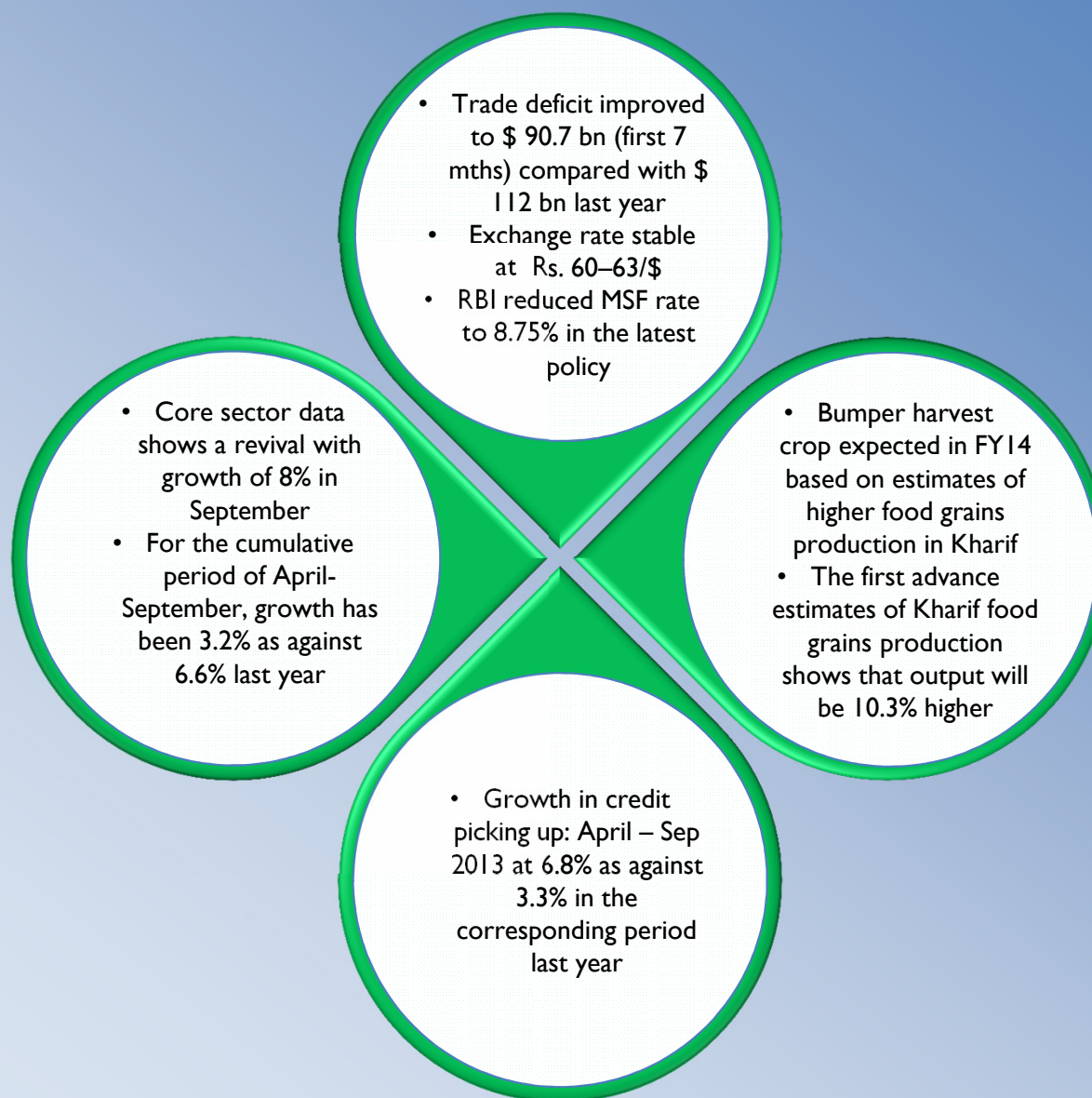
## FY14 GDP Prospects

GoI – 5.0% -5.5%

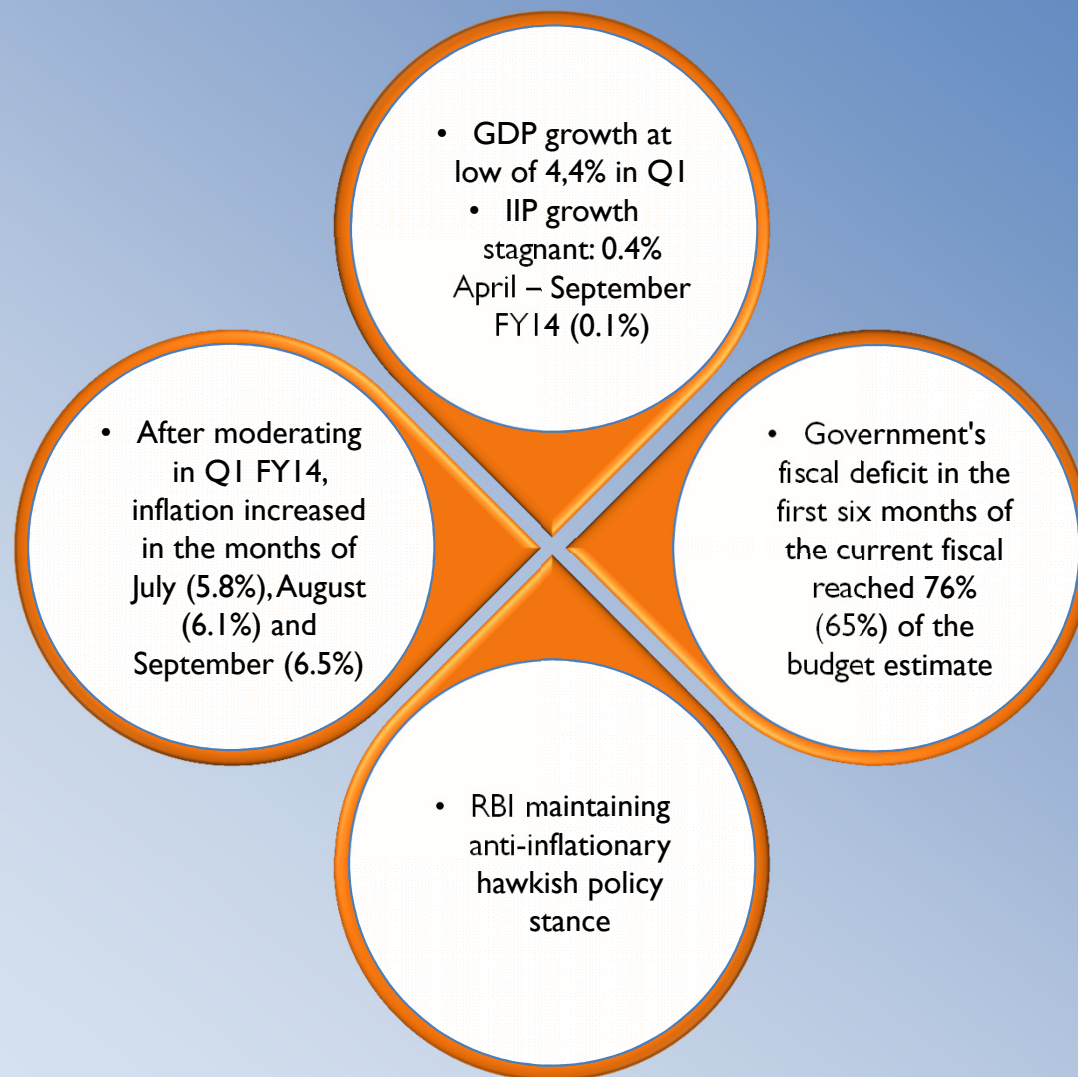
RBI – 5.0%

CARE 4.9%

# Economy round up so far - Positives



# Economy round up so far - Negatives



Economic growth though low presently to pick up in H2

- Bank credit likely to maintain momentum
- Debt markets subdued and need to recover fast

Interest rates to come down only after inflation reduces

Federal Reserve action on tapering will affect policy

Investment of Rs. 3.84 lakh crore on infrastructure projects as announced by FM

- This can provide boost to the debt market during the second half - implementation of investments remains a key challenge

## Debt Market

- Severely underpenetrated, below 5% to GDP
- To benefit from increased penetration by pension funds and insurance companies
- Multiple initiatives by Government of India to develop bond market
- Performance will depend on
  - growth in infrastructure
  - how much of the investment in projects cleared by government fructify
- Withdrawal of FIIs from debt market is not a good sign and needs to get reversed. Will depend on Fed action on tapering

## Bank Loans

- September 2013 witnessed a pick up in credit in industry and services which will provide support for bank loan portfolio growth
- Ratings coverage of Bank Loans expected to continue growing
- Credit policy growth target of 15% likely to be realized in FY14
- BLR business to be positively affected with a lag

## MSME

- Given low level of penetration, scope for growth is high
- Of the 1.5 million functional SME units less than 80,000 have been rated
- “Performance & Credit Rating Scheme” for MSEs, implemented by NSIC, expected to drive ratings
- Good rating enhances the acceptability of the rated unit in the market and also enables it to access cheaper credit, faster
- Ratings to help them procure credit at a time when rates are particularly high for them



# Company Overview





*(1) In terms of rating income FY13*

# Diversified Business Mix

## Ratings

- Manufacturing & Services sector
- Financial sector
- Infrastructure
- Small & Medium Enterprises
- Structured Finance
- Sub Sovereign ratings

## International expansion

- Already in Maldives
- JV partner for setting up international rating agency – ARC Ratings
- Exploring markets in neighboring countries

## Research & Gradings

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

## CARE Kalypto

- Risk Solutions for
  - Basel II, Credit risks, Operational risks, Fund Transfer Pricing, Asset Liability Management, Value at risk, Capital Adequacy Ratio
- Advisory Services

Investment income



## Rating relationship with over 6,720 clients

- Strong brand recognition in the ratings market, gained through 20 years of experience in the ratings business
- Attributes of objectivity and integrity have placed premium on CARE ratings amongst clients and investors
- Received recognition and accreditation from various regulatory bodies and entities
- Sponsors industry events & participate in seminars
- Domain experience across a range of sectors
- Graded the largest number of IPOs since the introduction of IPO grading in India
- Ratings for state enterprises provided for maximum number of states in terms of implicit state ratings



### CARE Ratings

| Ratings   |   |  |   |  | Grading   | Research  |
|---|---|--|---|--|---|---|
| Corporate   | Financial Sector  | Public Finance   | MSME  | Infrastructure Sector  |   |   |
| <ul style="list-style-type: none"> <li>▪ Debt</li> <li>▪ Bank loan</li> <li>▪ Issuer</li> <li>▪ Corporate governance</li> </ul> | <ul style="list-style-type: none"> <li>▪ Banks</li> <li>▪ NBFCs</li> <li>▪ Housing finance</li> <li>▪ Insurance</li> <li>▪ Mutual funds</li> <li>▪ Securitization programmes</li> </ul> | <ul style="list-style-type: none"> <li>▪ Sub-sovereign entities</li> <li>▪ ULBs</li> </ul> | <ul style="list-style-type: none"> <li>▪ NSIC – SSI rating</li> <li>▪ SME rating</li> </ul> | <ul style="list-style-type: none"> <li>▪ Power</li> <li>▪ Roads</li> <li>▪ Ports</li> <li>▪ IDF</li> </ul> | <ul style="list-style-type: none"> <li>▪ IPO</li> <li>▪ Shipyard</li> <li>▪ ESCO</li> <li>▪ Educational institutions</li> <li>▪ Maritime training institutes</li> <li>▪ RESCO</li> <li>▪ Construction companies</li> <li>▪ Real estate star</li> <li>▪ Equigrade</li> <li>▪ SME fundamental</li> <li>▪ Renewable Energy Companies/Projects</li> </ul> | <ul style="list-style-type: none"> <li>▪ Covering 47 sectors</li> <li>▪ Customized research</li> <li>▪ CARE industry risk metrics (116 sectors)</li> <li>▪ Research reports by economic research team on domestic economy &amp; global economic events</li> <li>▪ Valuation of Market Linked Debentures (“MLDs”),</li> <li>▪ Monthly PP-MLD report</li> </ul> |

# Strong Rating Credibility - External Rating Committee

Steadfast commitment to veracity and objectivity in the opinions provided

- To maintain high standards of professional quality/integrity and address any conflict of interest, CARE has an external ratings committee comprising a majority of independent members
- Have had an external rating committee since inception (1993)
- Ratings ratified by highly qualified committee



## **Y. H. Malegam** (Chairman)

- Former Managing Partner, S.B. Billimoria & Co.
- Member of Board of Directors of a number of companies and organizations including RBI

## **P.P. Pattanayak**

- Former Managing Director of State Bank of Mysore
- Former Deputy Managing Director and Chief Credit Officer of SBI

## **V. Leeladhar**

- Former Deputy Governor, RBI
- Ex-CMD Union Bank
- Former member of Board of Directors of IIBF, NABARD, NHB etc.

## **V.K. Chopra**

- Former whole time member of SEBI
- Former Chairman and Managing Director of Corporation Bank and SIDBI

## **D.R. Dogra**

- Managing Director, CARE
- Member of several committees of various chambers of commerce

# Strong Rating Credibility - Ratings Process

## Robust Processes

### Quality Systems & Risk Management

- Established rating procedures
- Separate quality control department
- Continuous criteria development and improvement
- 3 levels of checks & balances

### Information Technology

- Implemented integrated information interface for work flow management
- Established CARE Knowledge Centre (CKC)
- Established Online Research Distribution System for subscription of research reports

## Principled approach, strong & transparent disclosures

### Industry analogous default rates

- In-line with SEBI, RBI compliance CARE publishes an annual Default and Transition study of CARE rated issuers
- CARE's issued rating exhibit high level of stability – cumulative default rates and transition rates in line with industry average and peers

### Principled ratings approach

- Strong policies in place to drive merit based ratings
- Compensation terms insulated from rating assigned

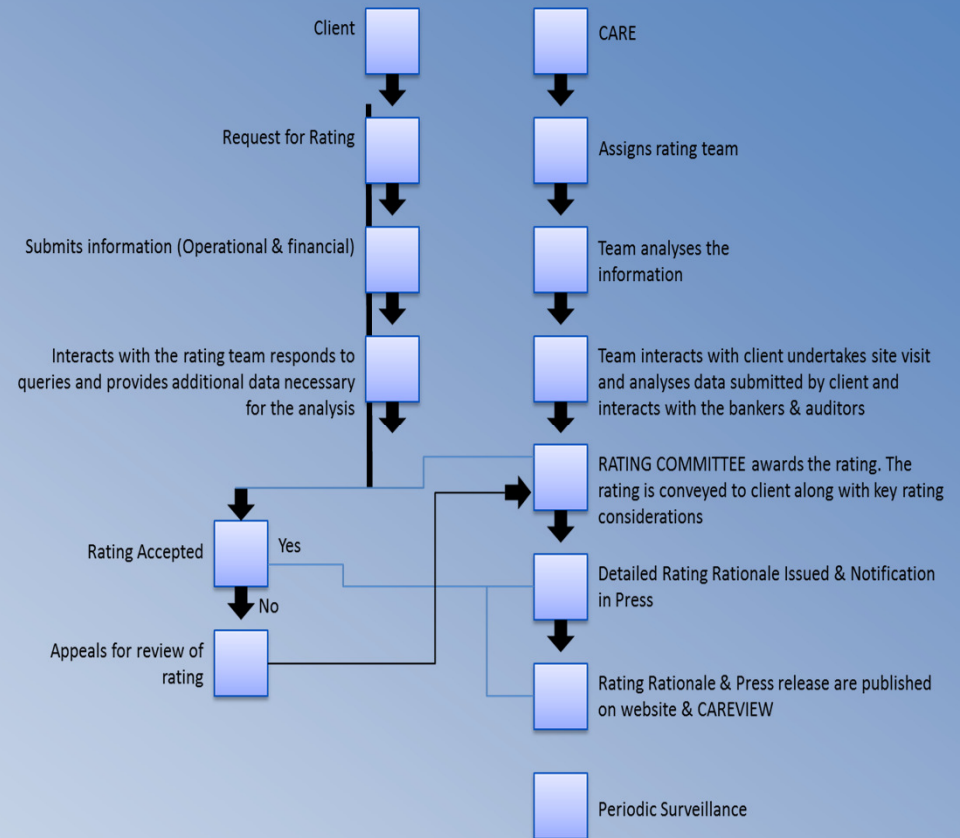
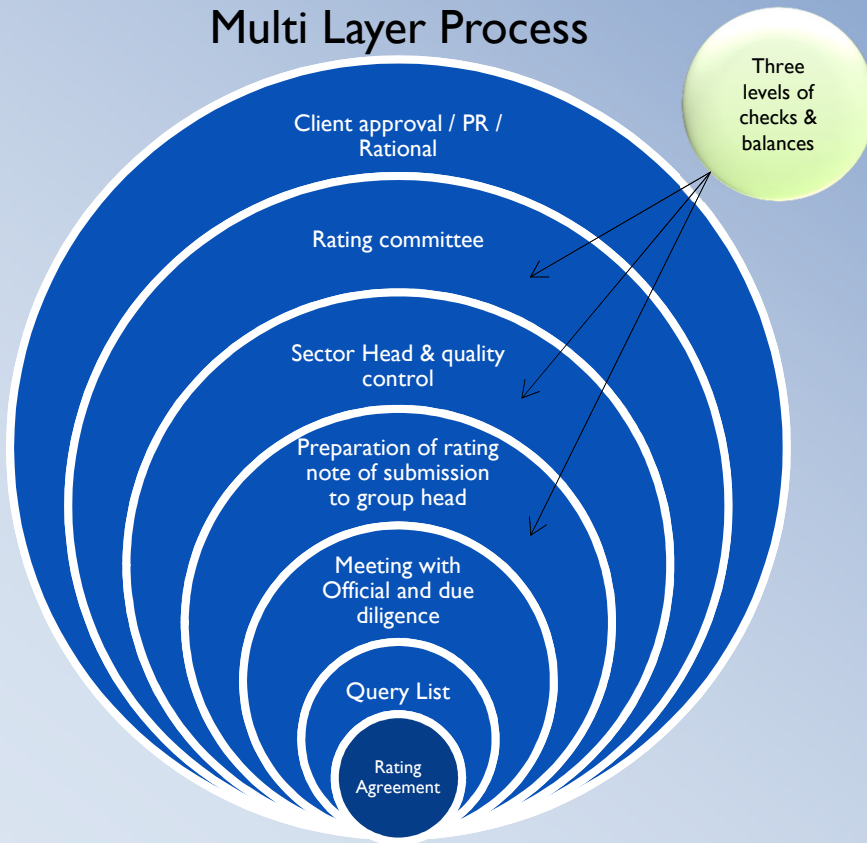
## Compensation terms insulated from rating assigned

- Full initial rating fee is to be paid upfront – prior to rating assigned
- Issuers are liable to pay rating fees, regardless of whether they accept CARE's rating or not

# Strong Rating Credibility - Ratings Process

Aligned with benchmark processes laying strong emphasis on ratings indisputability

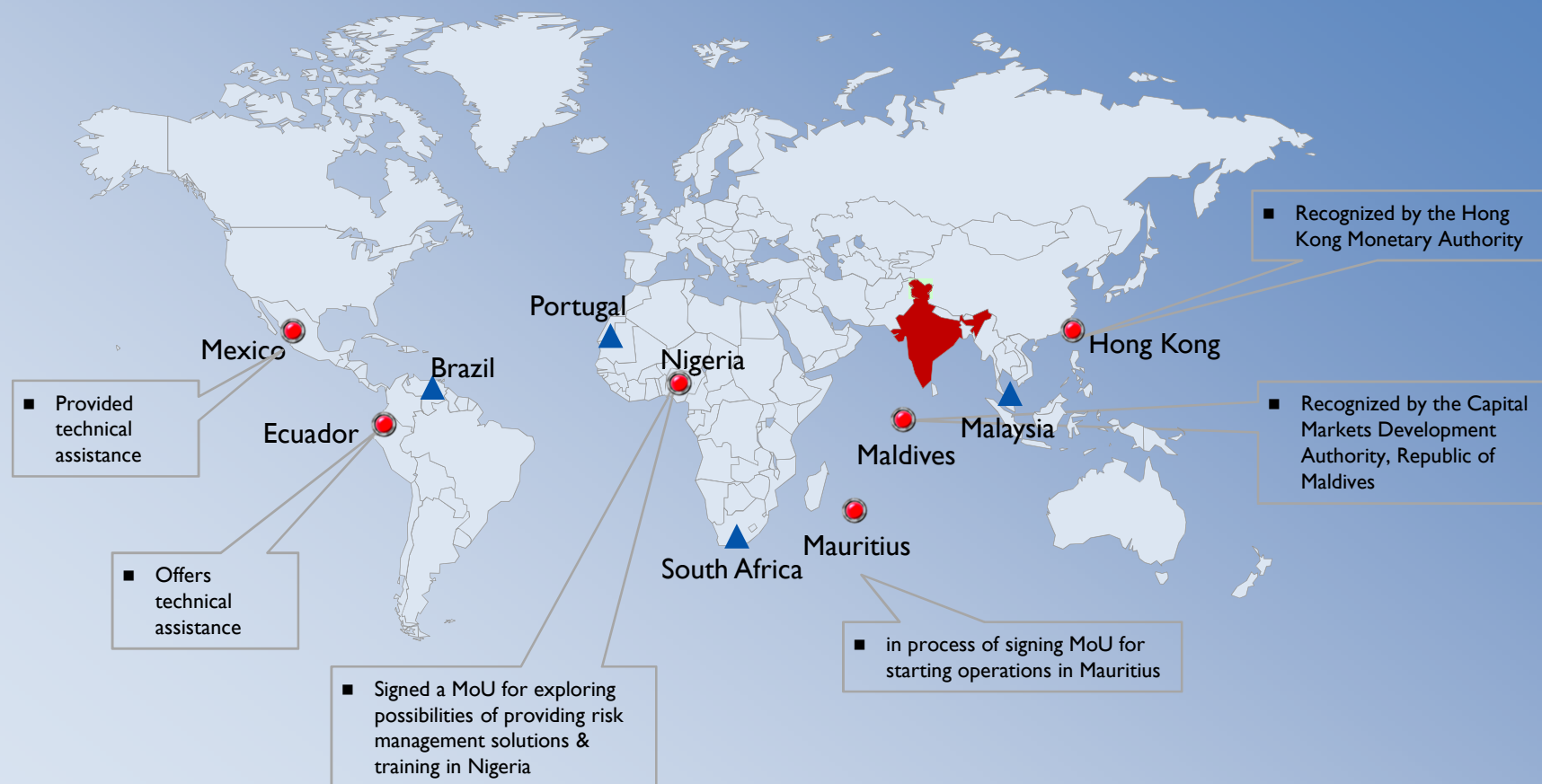
## Multi Layer Process



Backed by strong team of 368 analysts

# Global Footprint

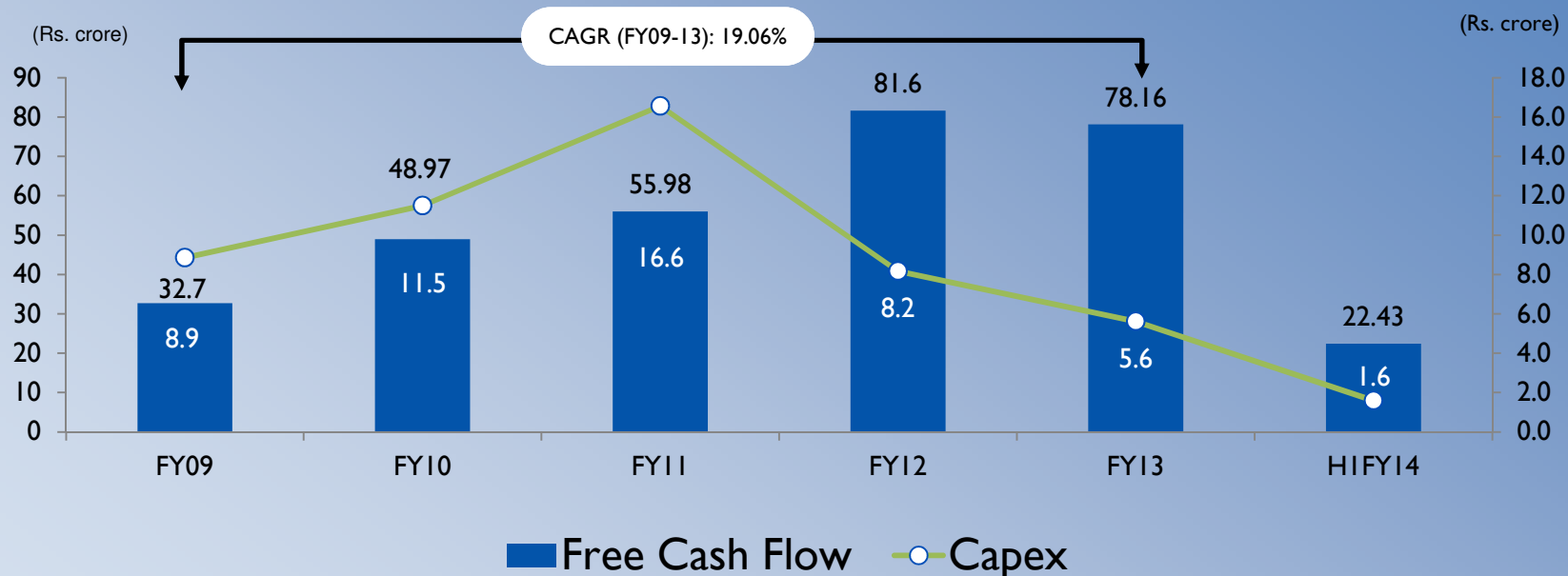
Expanding international presence - only leading Indian rating Company with global play



▲ The shareholding agreement for ARC Ratings (a new international credit rating agency) has been signed with 4 other CRAs from Brazil, Portugal, Malaysia and South Africa

# Strong Financial Position and Profitability

Strong cash flow generation with low capex intensity supports a cash rich balance sheet



- Significant annual cash flow generation enabling strong cash on books of Rs. 443 crore
- Substantial accrual to balance sheet augments shareholder worth – creating value each successive year; 58% payout in FY13 and 68% payout for H1 FY14
- Provides sizeable platform to deliver future growth - evaluating organic and inorganic opportunities to create value



# Experienced & Professional Management

Driving a transformational enterprise - hitting the right milestones at the right juncture

Nurtured into the 2nd largest rating Company in India

Charting the course for a Global footprint

Focused on creating value for shareholders

Pushing innovation agenda - introducing novel services thereby changing industry landscape

Building transparency - working closely with investors, regulators, policy makers and other market participants

Developing and upholding confidence in CARE's risk opinions

At forefront of analyzing and monitoring credit risk since 20 years

## D R Dogra - Managing Director



- Over 36 years of experience in financial sector & credit administration
- Certified Associate of Indian Institute of Bankers
- Holds Master's degree in agriculture and in business administration

## Rajesh Mokashi - Deputy Managing Director



- Over 29 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

# Experienced & Professional Management



**T.N. Arun Kumar**  
*Chief General Manager,  
Ratings*

- 25 years of experience in financial services
- PGDM; CFA; FRM



**Navin K. Jain**  
*Company Secretary &  
Compliance Officer*

- 26 years of experience in accounting services
- Masters degree in financial services management & C.S.



**Mehul Pandya**  
*Chief General Manager,  
Business Development*

- 18 years of experience in rating services
- MBA; CFA



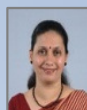
**Milind Gadkari**  
*Chief General Manager,  
Ratings*

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



**Swati Agarwal Jain**  
*Chief General Manager,  
Business Development*

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



**Revati Kasture**  
*Chief General Manager,  
Research*

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



**Sanjay Kumar Agarwal**  
*General Manager, Business  
Development*

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



**Amod Khanorkar**  
*General Manager, Ratings*

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



**Madan Sabnavis**  
*General Manager, Chief  
Economist*

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



**Umesh Ikhe**  
*Chief Technology Officer*

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



**Josey Joseph**  
*Head of Human Resources*

- 19 years of experience in diverse areas within HR
- Masters in Personnel Management



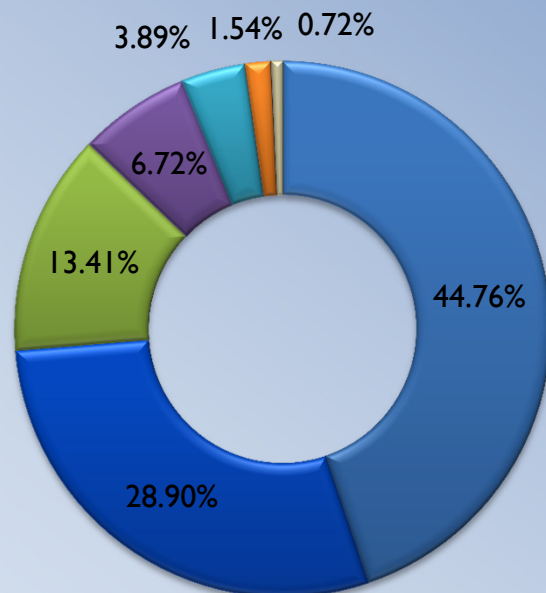
**Chandresh Shah**  
*Chief Financial Officer*

- 15 years of experience in finance, accounting, taxation and US GAAP
- C.A.



# Shareholding Snapshot

100% public shareholding –  
Professionally managed



Financial Institutions/ Banks , 44.76%

Foreign Institutional Investors, 13.41%

Mutual Funds/ UTI, 3.89%

Qualified Foreign Investor , 1.54%

Bodies Corporate, 28.90%

Individuals, 6.72%

Others, 0.78%

Top 15 Shareholders as on 30  
Sep 2013

| Name of the shareholder  | Shares as a percentage of total number of shares |
|--|--|
| IDBI BANK LIMITED  | 16.93  |
| CANARA BANK  | 14.97  |
| STATE BANK OF INDIA  | 6.31   |
| IL AND FS FINANCIAL SERVICES LIMITED   | 5.9  |
| BAJAJ HOLDINGS AND INVESTMENT LTD  | 5.89   |
| THE FEDERAL BANK LIMITED   | 4.09   |
| IL AND FS TRUST COMPANY LTD  | 3.44   |
| ADITYA BIRLA PRIVATE EQUITY TRUST  | 2.83   |
| SERUM INSTITUTE OF INDIA LTD   | 2.5  |
| FRANKLIN TEMPLETON INVESTMENT FUNDS  | 2.46   |
| THE WELLINGTON TRUST COMPANY PORTFOLIO   | 2.37   |
| ING VYSYA BANK LIMITED   | 1.96   |
| RUSSELL INVESTMENTS LIMITED  | 1.83   |
| <b>UNIT TRUST OF INDIA INVESTMENT ADVISORY SERVICES LIMITED A/C ASCENT INDIA FUND III'</b> | 1.54   |
| FRANKLIN TEMPLETON MUTUAL FUND   | 1.36   |

# Value drivers

## Second largest ratings Company in India

- Best-in-class operating model with margin leadership
- Expansive distribution network
- Seasoned management team with superior execution experience
- Parentage of marquee banks
- Strong origination capabilities and relationship management (Rating relationship with over 6,720 clients)

## Driving cost efficiency & productivity

- Strong discipline and governance around capital allocation and expenditure
- Cost efficient business model driven by CARE Knowledge Centre and Ci3 reduced overall employee costs coupled with higher employee productivity
- Owned properties translates to lower operating costs

## Strong financial profile

- FY09 – FY13 Rating Revenue CAGR of 19.7%
- FY09 – FY13 EPS CAGR of 19.6%
- FY09 – FY13 Free Cash Flow CAGR of 15.3%
- Strong cash position of Rs. 4.4 bn supports multiple growth opportunities

## Committed towards value creation for shareholders

- Dividend friendly track record: Paying dividends since first full year of operations
- Total dividend for FY13 amounts to Rs. 20 per share, 58% payout ratio
- An interim dividend of Rs. 6 per share for the quarter ended September 2013, 68% payout ratio

## Investing in strategic opportunities - to enable robust Long-Term Opportunities for Growth

- Best positioned to capture sector opportunities
- In process of implementing global strategic plan
- To drive penetration in SME segment
- Increase research capabilities
- Leverage brand to nurture risk solutions and advisory business
- Look at organic and inorganic value accretive transactions

# ABOUT US



*Credit Analysis and Research Limited (CARE Ratings) 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 20 years of 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 micro-finance institutions, among others. The Company also provides issuer ratings and corporate governance ratings and has rated innovative debt instruments, such as perpetual bonds.*

*CARE Ratings is recognized for being knowledge based Company and has continued to work towards deepening the base. The Company provides industry research and economic research where 47 industries are covered under its research services and 116 sectors under CARE Industry Risk Metrics (CIRM). Furthering the knowledge initiatives, the Company has tied up with Knowledge Academy, Ahmedabad to conduct a co-branded certification programme in credit risk assessment. Furthermore, the Company also provides Risk Solutions and Advisory Services through its subsidiary CARE Kalypto.*

*To enhance its scope of business CARE Ratings has been nurturing global opportunities and made forays in different forms: has a branch in Maldives and MoUs with CRAs in other countries. The Company has also entered into a JV to form a new international credit rating agency 'ARC Ratings' with 4 other CRAs from Brazil, Portugal, Malaysia and South Africa.*

*The Company has its registered office in Mumbai, and branches in New Delhi, Bengaluru, Chandigarh, Chennai, Hyderabad, Kolkata, Pune, Ahmedabad, Jaipur, Maldives.*

**\* In terms of rating income FY13**

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Thank you

