
CARE Ratings Limited

Investor Presentation – H1FY20

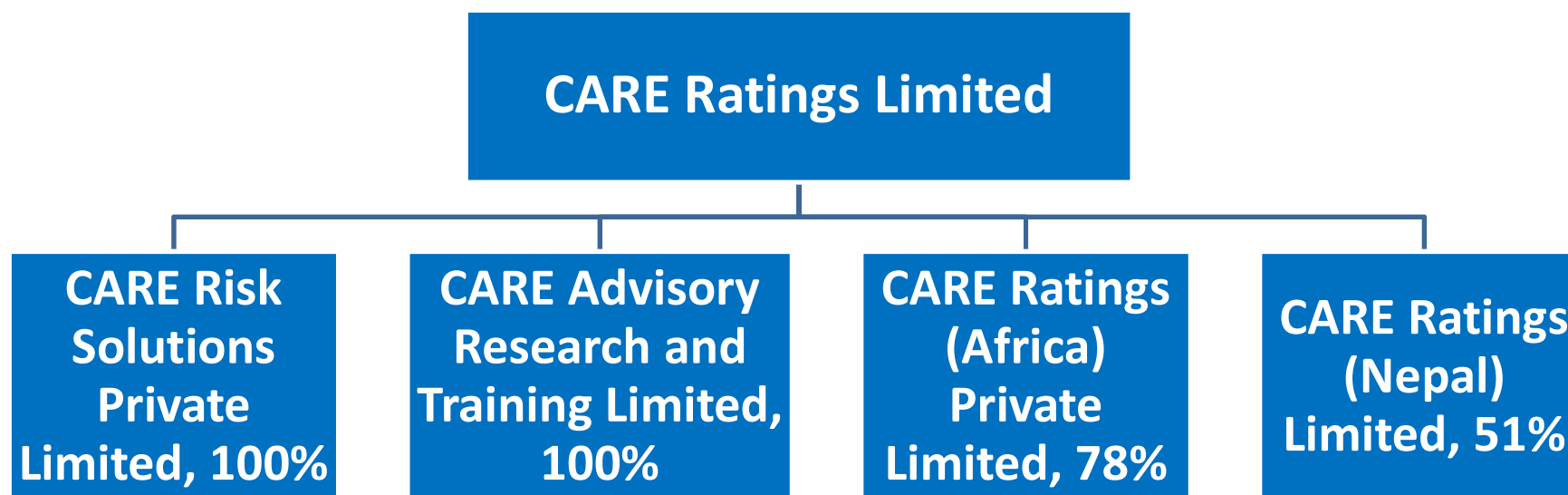
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CARE Ratings Group



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

T N Arun Kumar– Interim CEO



- 30 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 from IIM - Ahmedabad
- CFA Charter Holder; FRM



Mehul Pandya – Executive Director

- 23 years of experience in rating services
- In charge of Business Operations of CARE
- B.E;MBA; CFA



Navin Kumar Jain– Executive Director

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

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



Umesh Ikhe
Chief Technology Officer

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



Sandeep Palodkar
HR head

- 24 years of experience
- Master Degree in HR



PS Ramesh
*Senior Director
Ratings*

- 26+ years of experience
- B Tech (IIT Madras) and MBA (IIM Bangalore)



Bharat Adnani
Chief financial officer

- 24 years of experience in finance of which 12 years of CFO CA and MBA Finance from JBIMS



Padmanabh Bhagavath
*Senior Director
Ratings*

- 25+ years of experience
- Degree in Production Engineering and Post Graduate Diploma & degrees in MBF

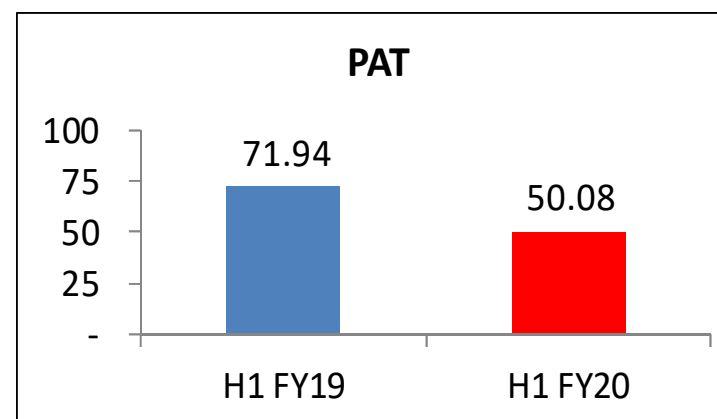
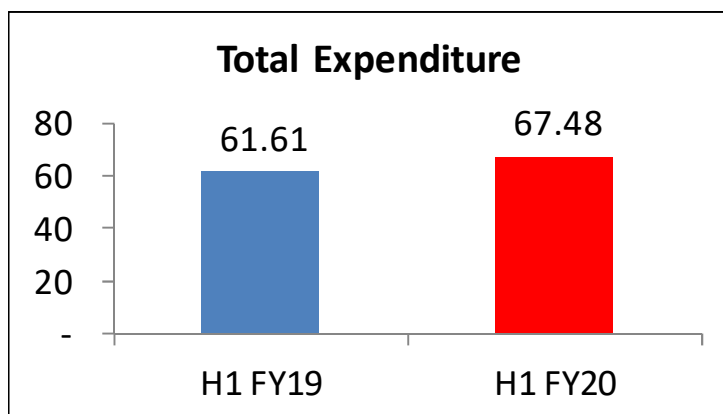
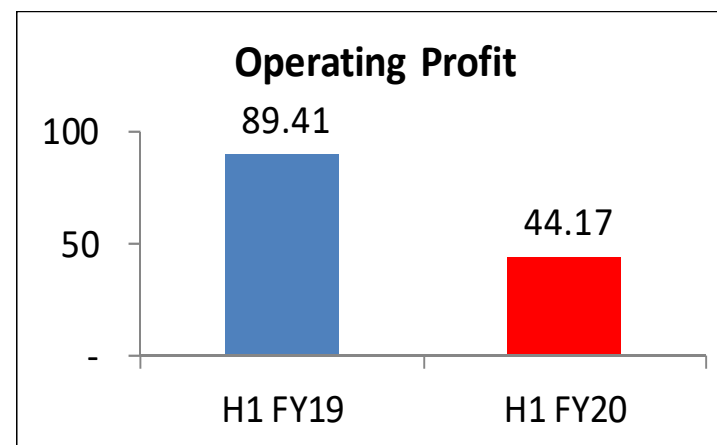
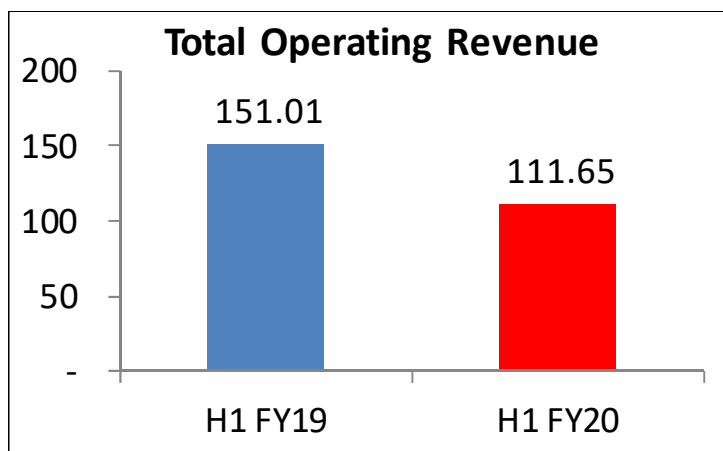
Shareholding Snapshot as on September 30, 2019

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 + Mutual fund	8.13
STICHTING DEPOSITARY APG EMERGING MARKETS EQUITY P	6.84
L&T MUTUAL FUND TRUSTEE LIMITED-L&T EMERGING BUSIN	4.72
VIRTUS KAR INTERNATIONAL SMALL-CAP FUND	4.05
BMO INVESTMENTS II (IRELAND) PUBLIC LIMITED COMPAN	4.02
INDIA CAPITAL FUND LIMITED	3.35
MORGAN STANLEY ASIA (SINGAPORE) PTE.	2.38
VANGUARD EMERGING MARKETS STOCK INDEX FUND, A SERI	2.30
RUSSELL INVESTMENTS LIMITED	1.80
BAJAJ HOLDINGS AND INVESTMENT LTD	1.69
MAWER GLOBAL SMALL CAP FUND	1.53
GOVERNMENT PENSION FUND GLOBAL	1.50
DHANDHO INDIA ZERO FEE FUND, L.P	1.31
GOVERNMENT OF SINGAPORE - E	1.30
PINEBRIDGE GLOBAL FUNDS - PINEBRIDGE INDIA EQUITY	1.25
TATA STEEL LIMITED	1.20
ISHARES CORE EMERGING MARKETS MAURITIUS CO	1.10
TATA INVESTMENT CORPORATION LIMITED	1.05
Total for Top 20 Shareholders	68.27

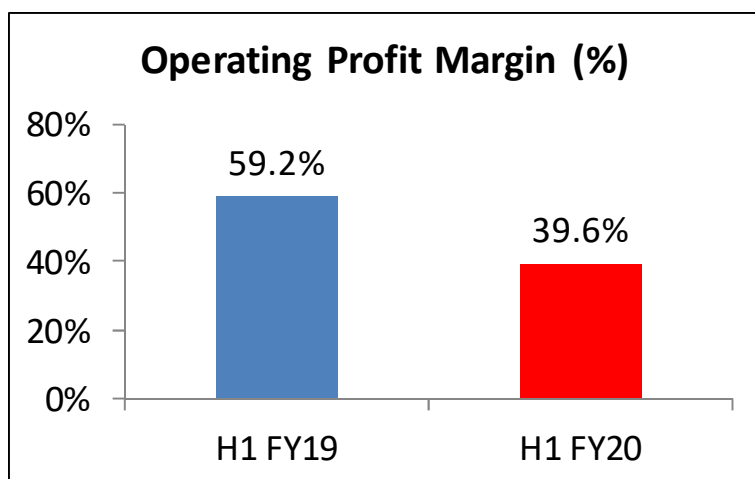
Financial Performance

Particulars	Rs. in Crores					
	Standalone			Consolidated		
	H1FY20	H1FY19	% Change	H1FY20	H1FY19	% Change
Revenue from Operations	111.65	151.02	-26.1%	121.55	156.65	-22.4%
Total Expenses	67.48	61.61	9.5%	77.18	68.83	12.1%
Operating Profit	44.16	89.41	-50.6%	44.37	87.81	-49.5%
Other Income	16.67	11.61	43.7%	16.90	12.02	40.6%
Profit Before Tax	60.84	101.02	-39.8%	61.27	99.83	-38.6%
Provision for Tax	10.76	29.07	-63.0%	11.04	29.20	-62.2%
Profit After Tax	50.07	71.94	-30.4%	50.22	70.63	-28.9%
Operating Profit margin (%)	39.6%	59.2%		36.5%	56.1%	
Profit Before Tax margin (%)	47.4%	62.1%		44.3%	59.2%	
Net Profit margin (%)	39.0%	44.2%		36.3%	41.9%	
Basic EPS (Rs. per share)	17.00	24.42		16.86	23.92	

Financial Performance:H1FY20 (Rs cr)- Standalone

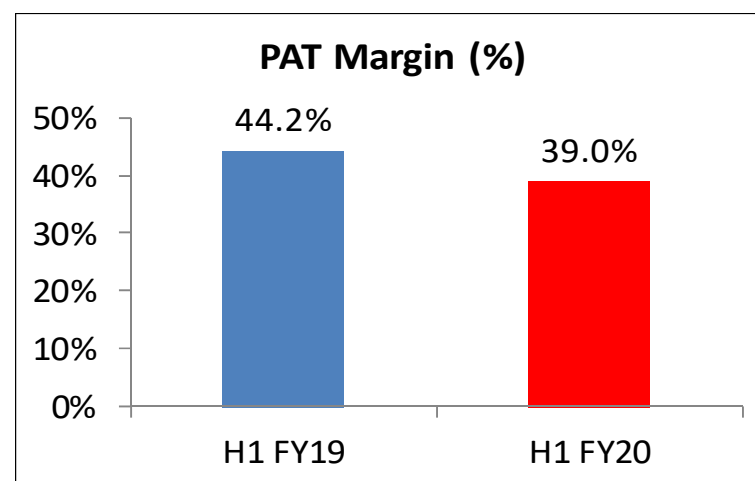


Financial Performance: H1FY20 - Standalone

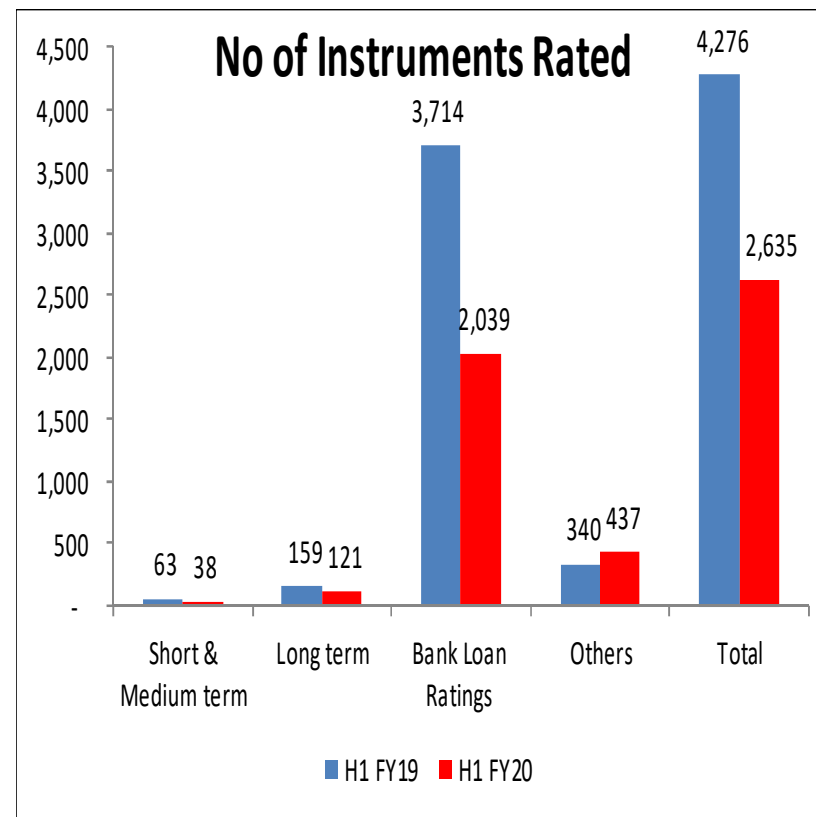
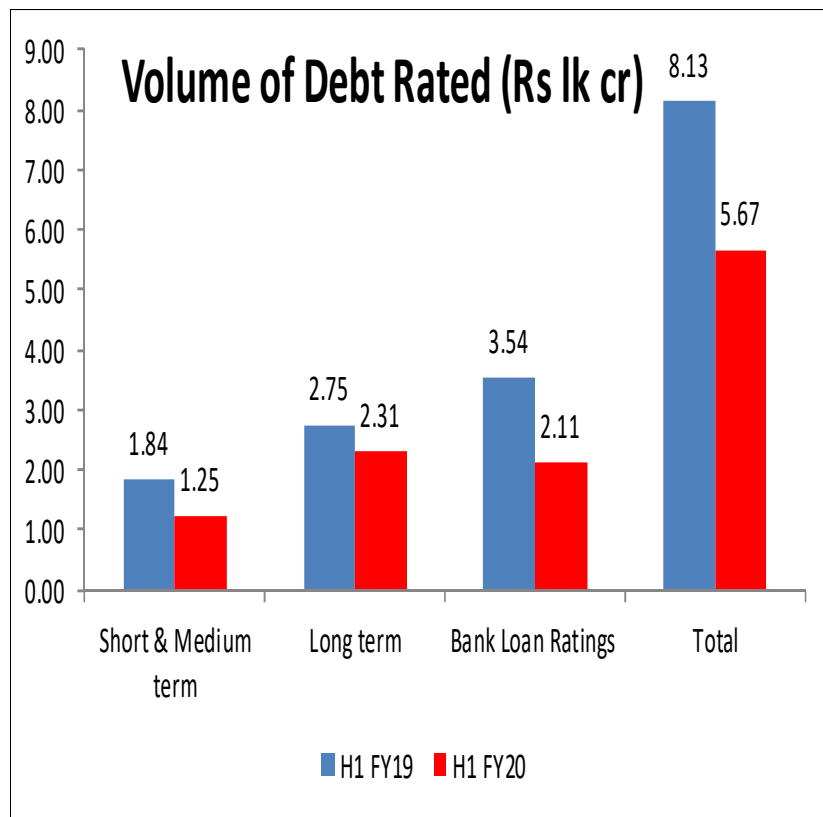


H1FY20 Operating profit margin fell due to lower operating income caused by lower borrowing by the NBFC sector since the end of the second quarter of FY19 & muted Capex of the corporate sector.

H1FY20 PAT margin fell due to revenue moderation, Increase in employee cost & other expenses

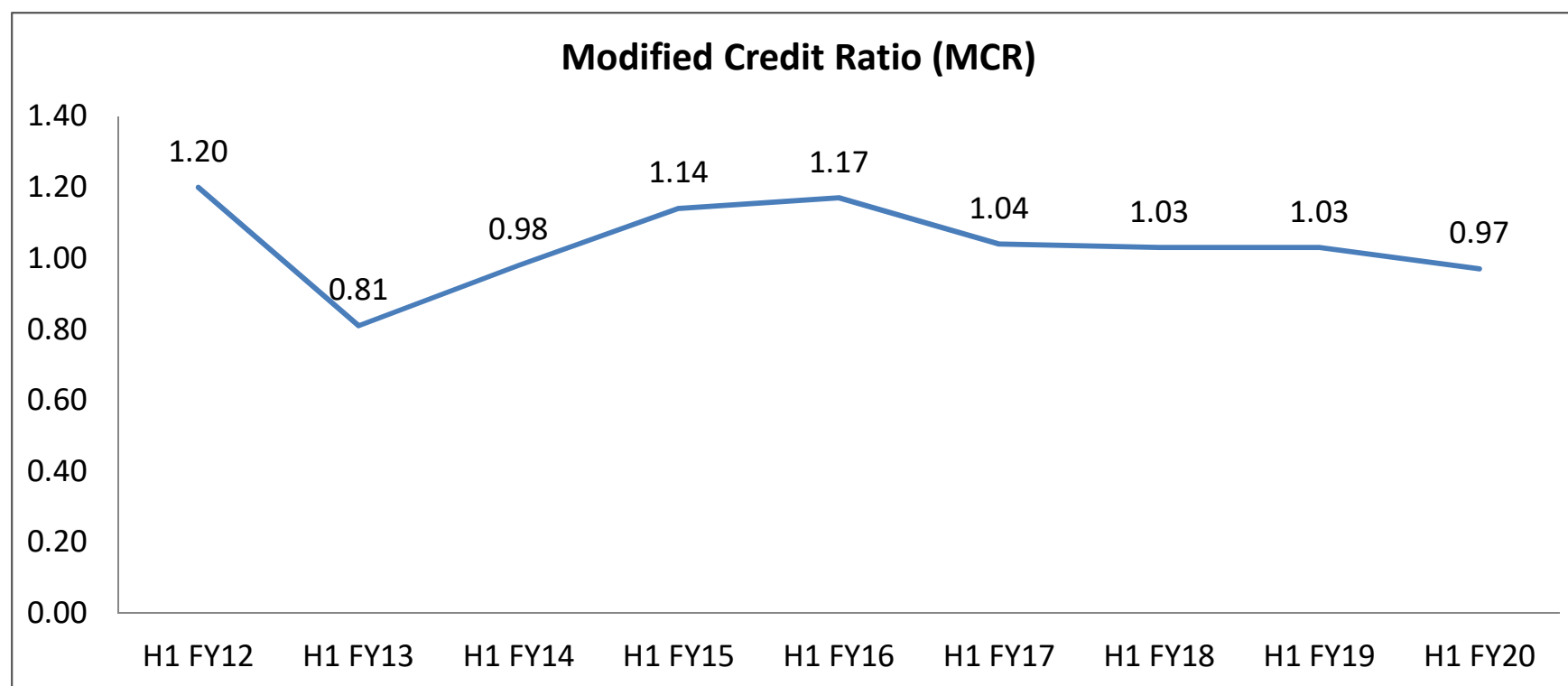


Business Performance (New clients): H1FY20



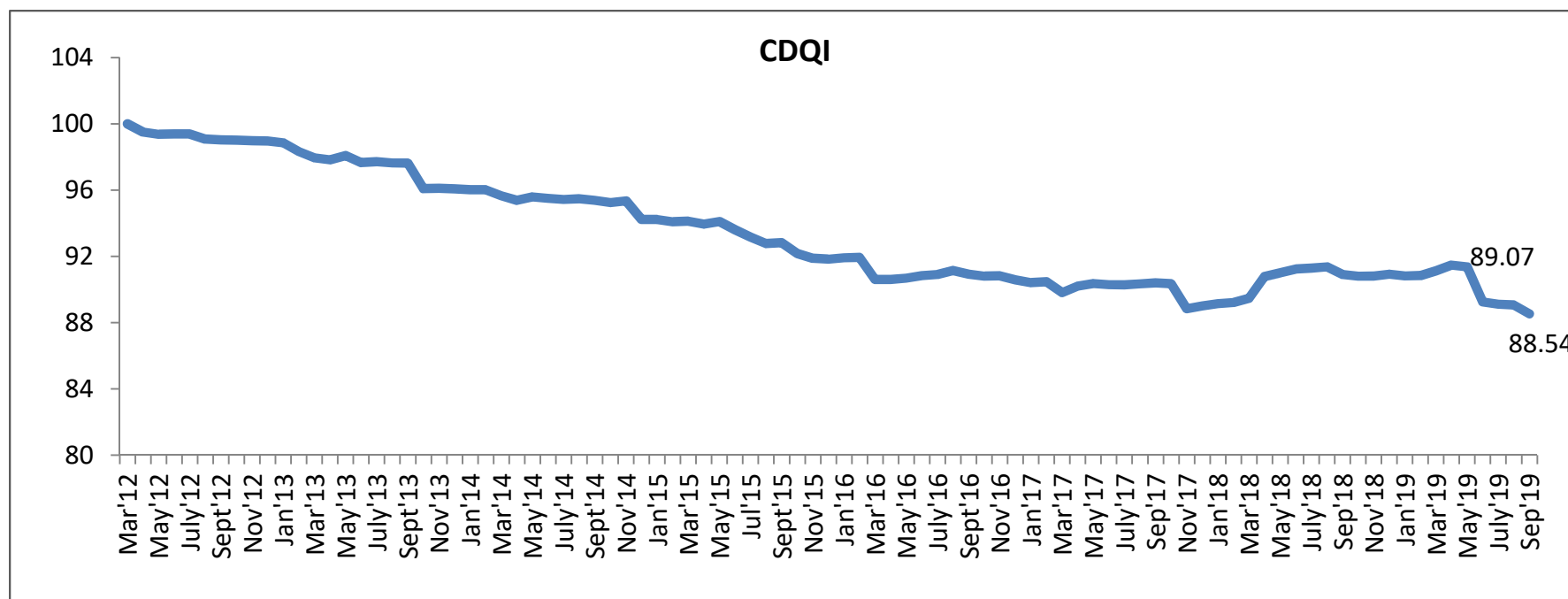
Rating Movement

The credit quality of entities rated by CARE Ratings declined in the first half of the current financial year reiterating the slowdown in the domestic economy. The credit quality as measured by CARE Rating's 'Modified Credit Ratio' (MCR) in H1FY20 was at a 6 year low when compared with the corresponding period of the previous years.

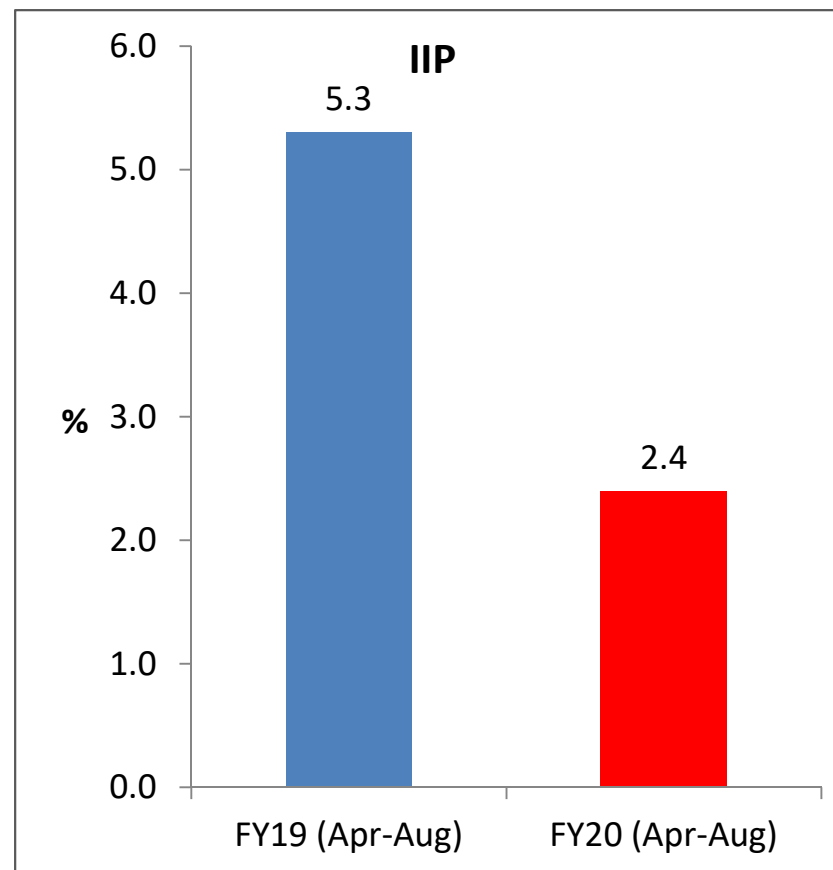
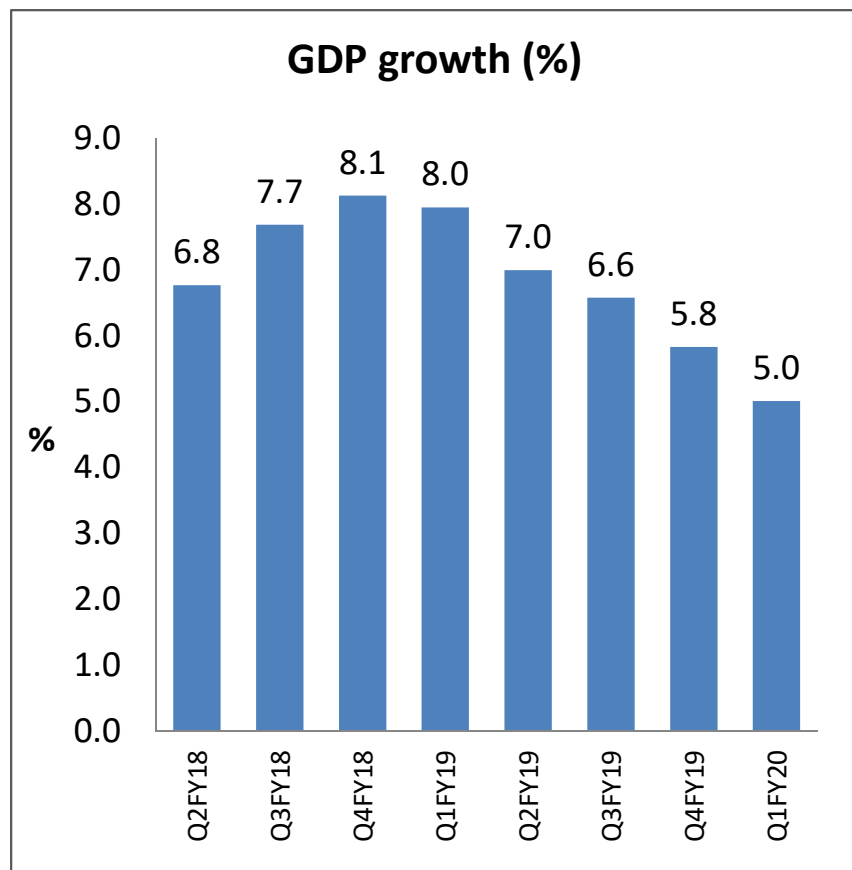


CARE Ratings Debt Quality Index (CDQI)

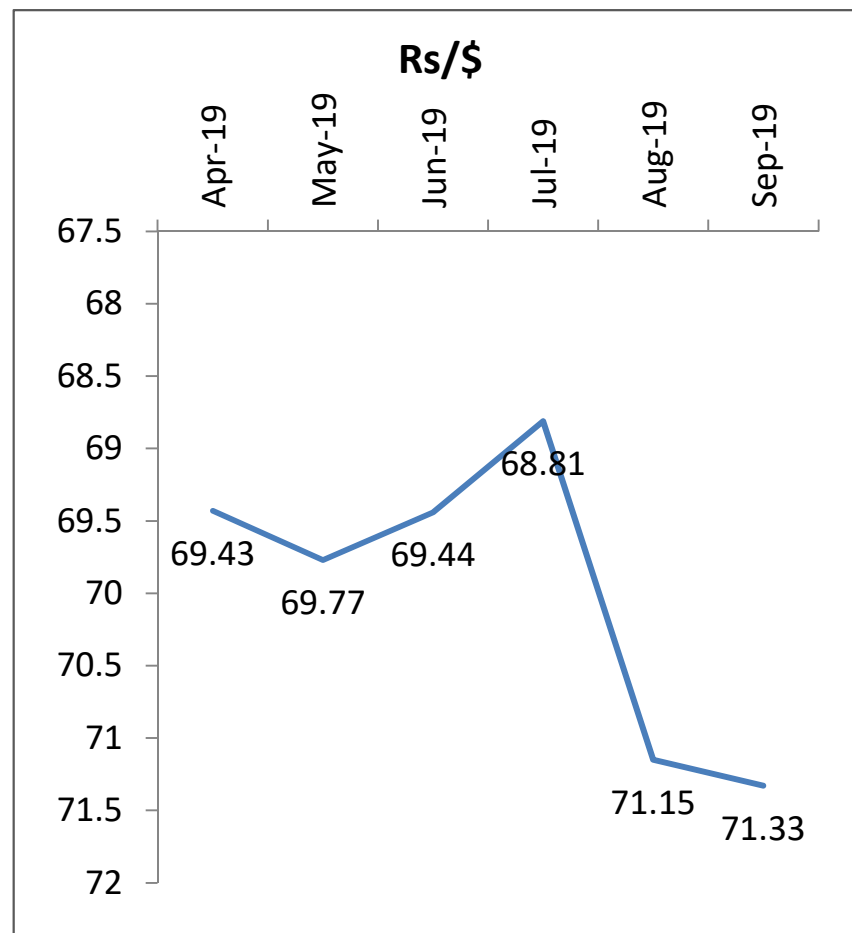
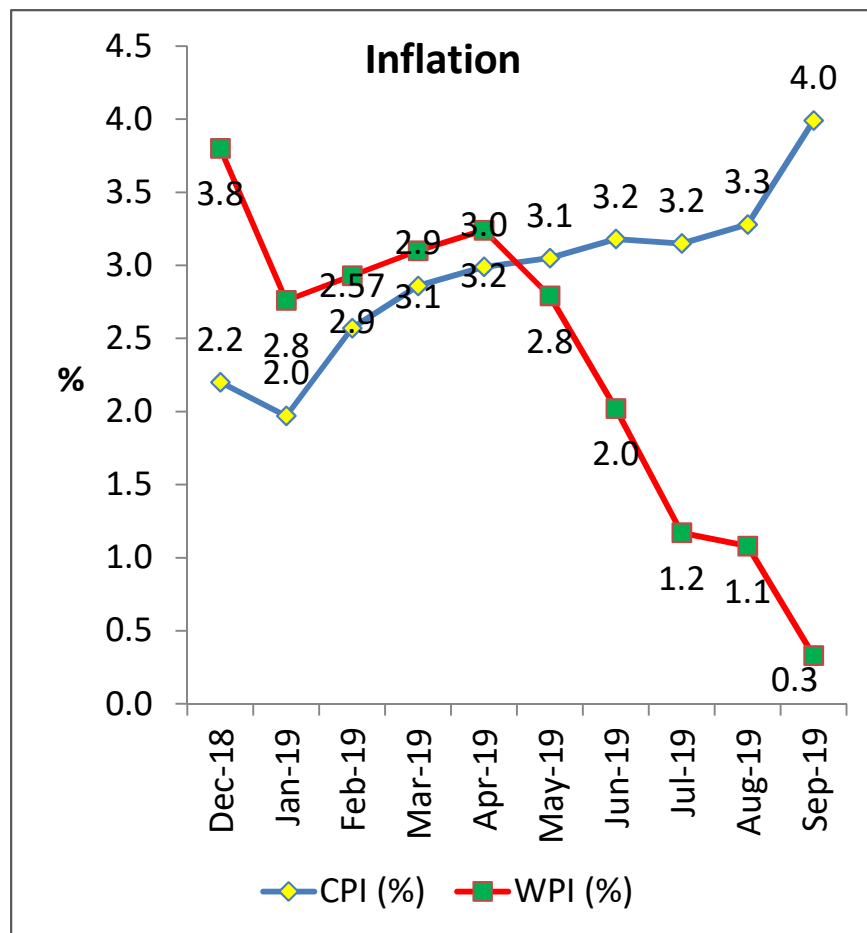
The index fell sharply in June 2019 mainly due to moderation in the liquidity scenario for NBFCs and HFCs resulting in sharp rating migrations. The index further declined marginally by 0.16 in July'19 and remained more or less stable in August'19. Thereafter, it declined by 0.54 in the month of September'19 triggered by further downgrades in NBFC and HFC segment due to the continuing liquidity stress in the segments making it difficult for entities to raise finance in a timely manner as also delaying monetisation plans.



Economic Backdrop

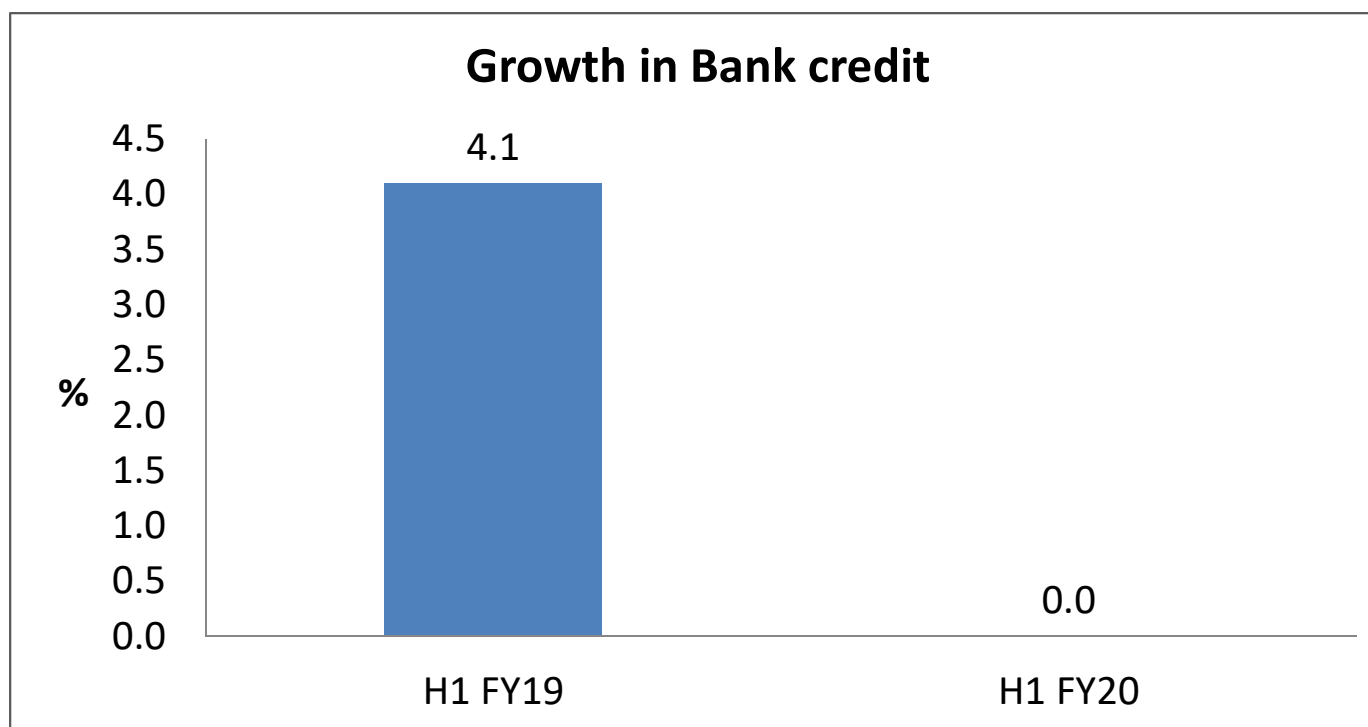


Economic Backdrop

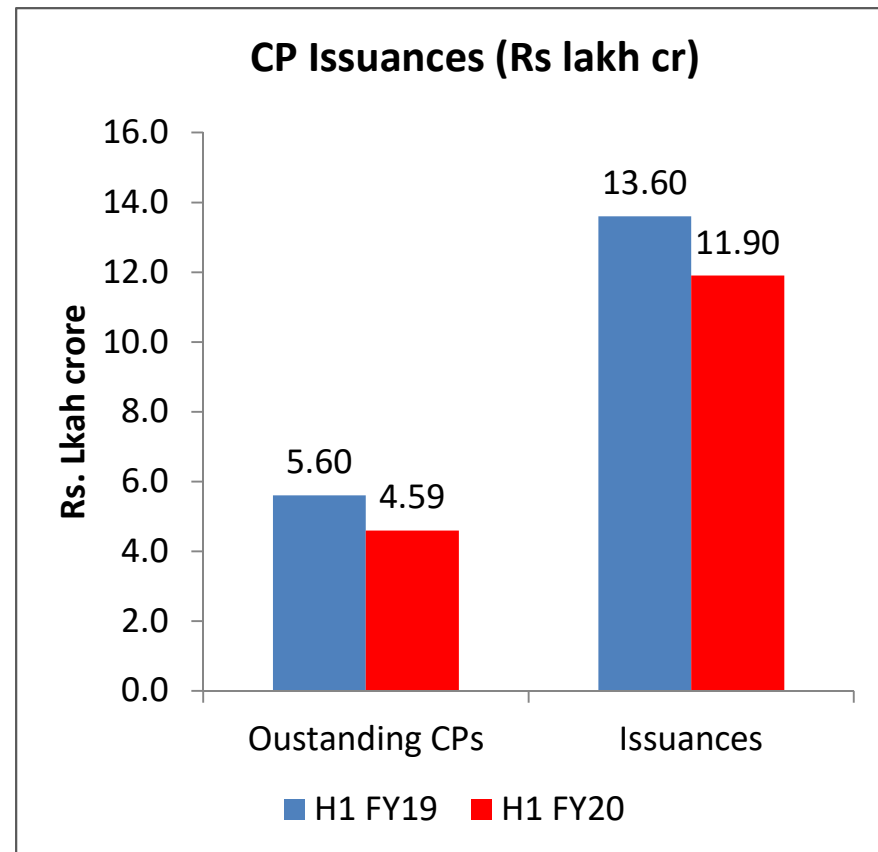
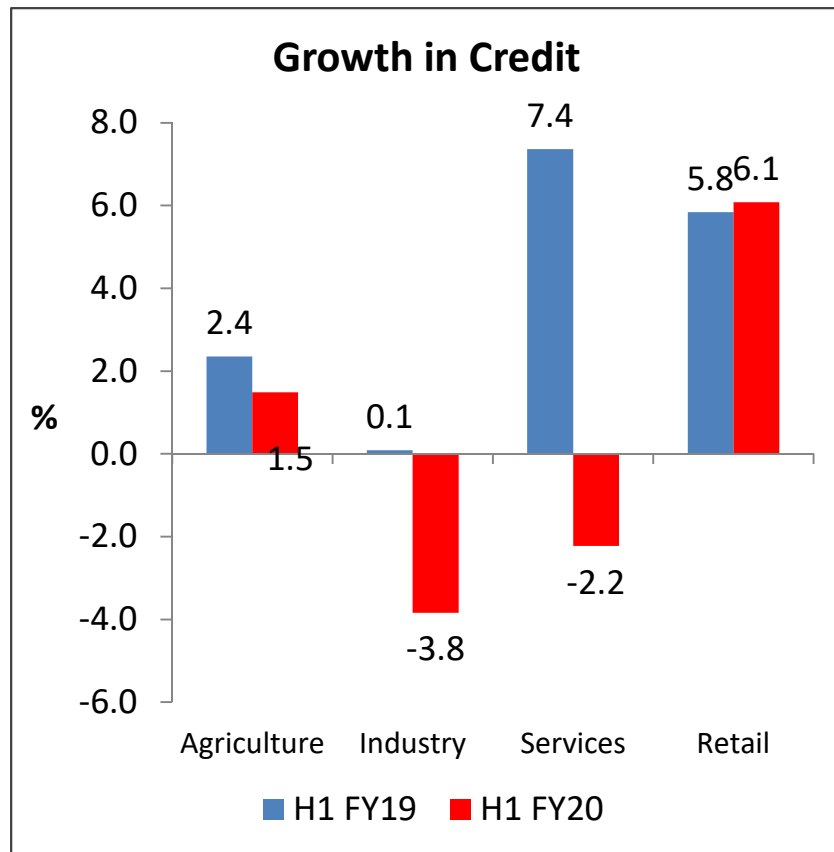


- As on Oct. 31, 2019, the exchange rate was Rs. 70.93/\$

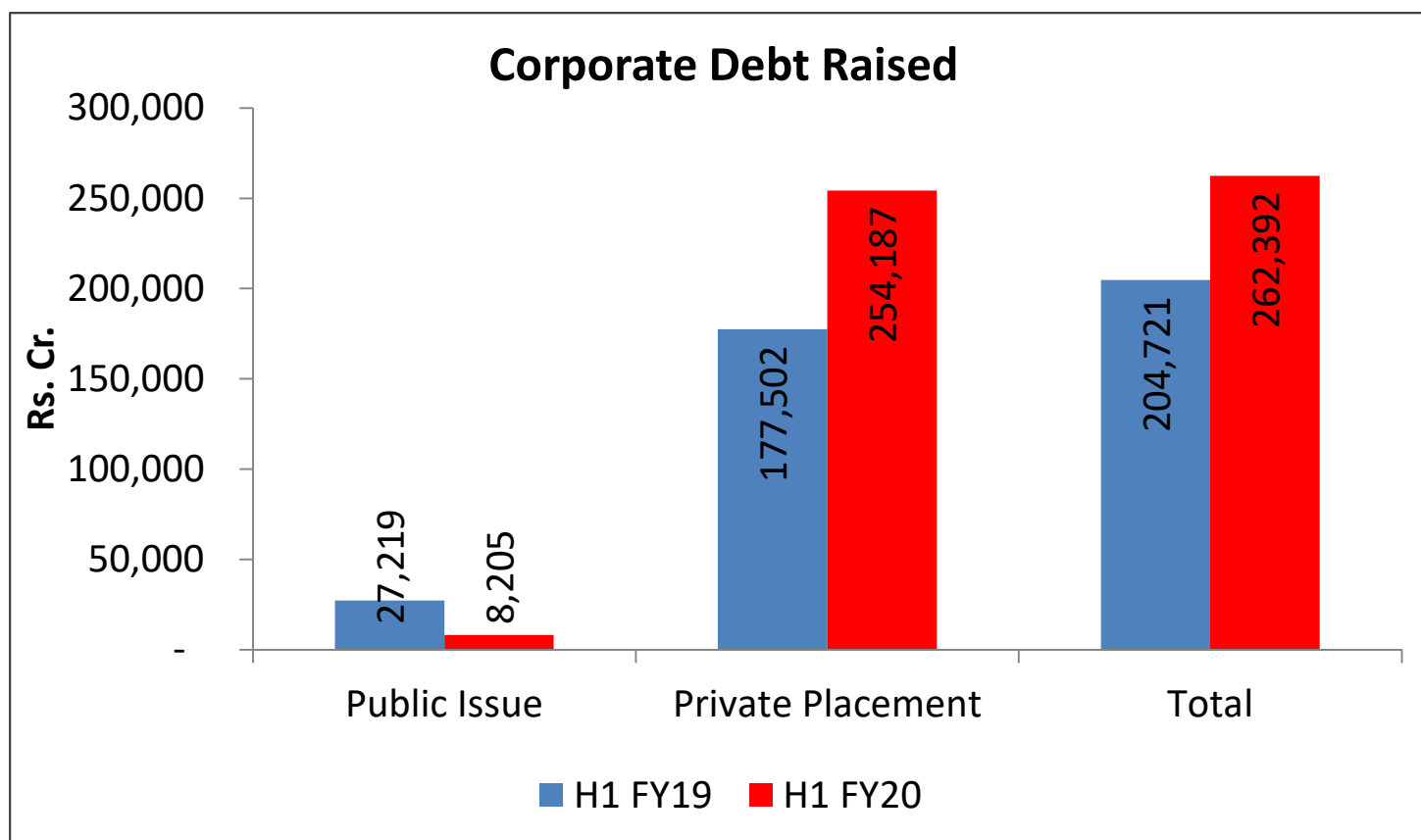
Economic Backdrop



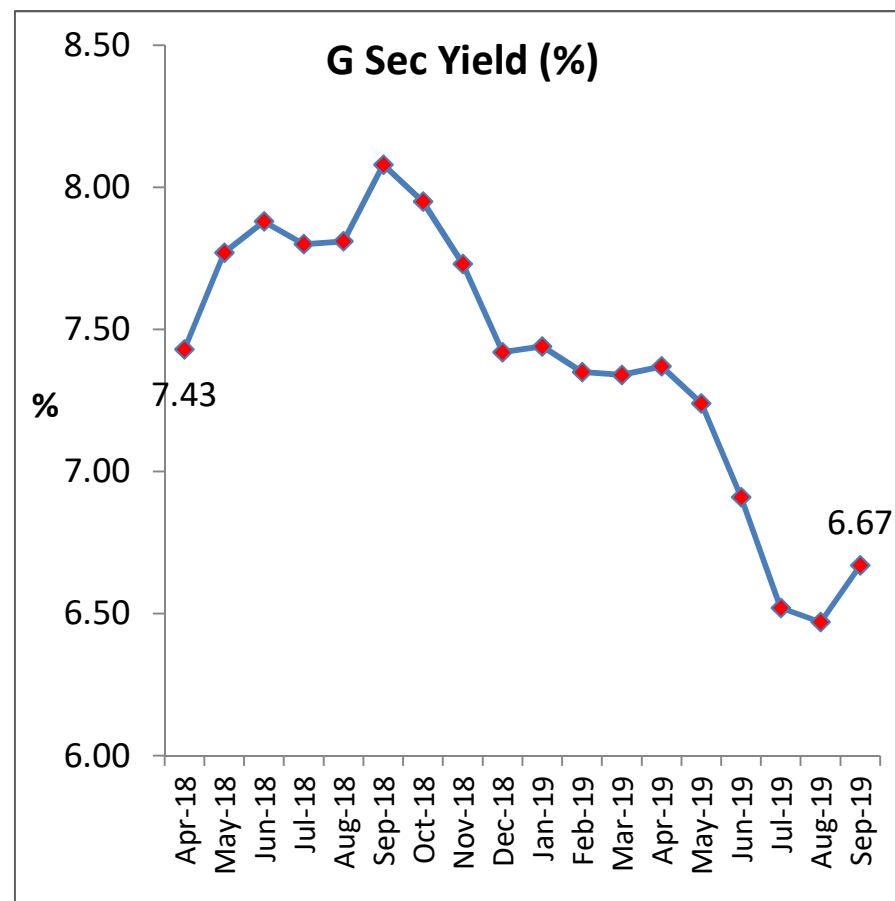
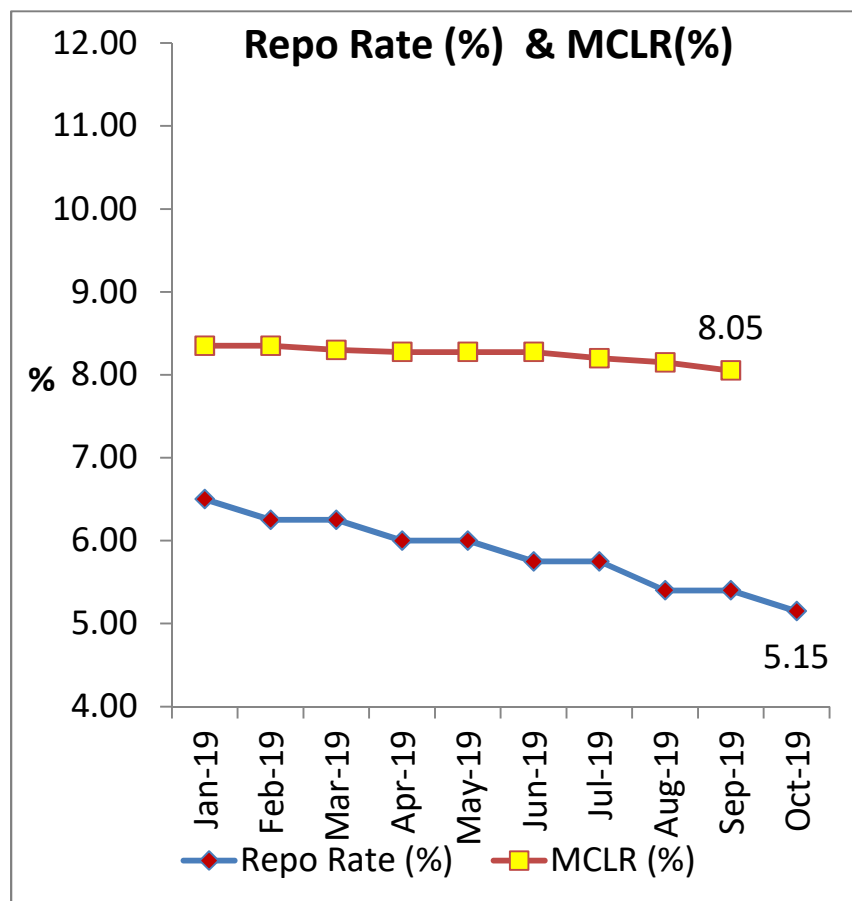
Economic Backdrop



Economic Backdrop



Economic Backdrop



- As on Oct. 31, 2019, the benchmark 10 year GSec was 6.65%
- A new 10 year 6.45% GSec benchmark was issued , yield of which was 6.45% as on Oct. 31, 2019.

Flow of funds to the commercial sector

Rs. lakh crore	FY19 (Apr-mid-Sept)	FY20 (Apr-mid-Sept)
A. Flow from banks, i.e., Adjusted non-food credit (A1+A2)	1.9	-1.3
A1. Non-food credit	1.7	-0.9
A2. Non-SLR investment by scheduled commercial banks	0.2	-0.4
B. Flow from non-banks (B1+B2)	5.5	2.2
B1. Domestic sources	4.4	0.1
1. Public issues by non-financial entities *	0.1	0.6
2. Gross private placement by non-financial entities *	0.5	0.6
3. Net issuance of CPs subscribed by non-banks	2.5	0.2
4. Net credit by housing finance companies \$	0.5	-0.1
5. Total accommodation by 4 RBI regulated AIFIs *	0.4	0.0
6. NBFCs-ND-SI and deposit taking NBFCs (net of bank credit) \$	0.4	-1.3
7. LIC's net investment in corporate debt, infrastructure and social sector^	0.0	0.1
B2. Foreign sources	1.1	2.1
1. External commercial borrowings / FCCB *	0.0	0.5
2. Foreign direct investment to India ^	1.1	1.5
C. Total flow from banks and non-banks (A+B)	7.4	0.9

Note: \$: Up to Jun ^: Up to Jul *: Up to Aug.

Source: RBI

Economic Outlook for FY20

- GDP growth is expected to be 6.2% in FY20
- Inflation expected to be around 3.5-4% for the remainder of FY20
- RBI unlikely to go in for a further rate cut in the next monetary policy given that the CPI inflation came in close to the RBI's median target of 4%.
- For the remainder of FY20, we expect another repo rate cut by 15-25 bps, which would be data driven

Thank You