CARE Ratings
Professional Risk Opinion

Date: June 12, 2021
SE/2021-22/13

To,

The National Stock Exchange India Ltd. **Listing Department** Exchange Plaza Bandra Kurla Complex Bandra (East) Mumbai 400 051 **Scrip Code: CARERATING**	**The General Manager** **Corporate Relation Department** **BSE Limited** Phiroza Jeejeebhoy Towers 14th Floor, Dalal Street Mumbai 400 001 **Scrip Code: 534804**

Dear Sir/ Madam,

Please find enclosed herewith the Press Release & Investor Presentation of CARE Ratings Limited as per the requirement of Regulation 30 and Para A of Part A of Schedule III of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015.

We wish to inform you that we have scheduled a conference call with analyst/ investors to discuss the financial results for the quarter ended March 31, 2021 (Q4FY2021 Results) on Monday, 14th June 2021, 2 PM to 3 PM.

The participants may use the below link to attend the call.

Please Click and Register on:

https://attendee.gotowebinar.com/register/5908271227353712396

Kindly take the above on record.

Thanking you,

Yours faithfully,

For CARE Ratings Limited

Ajay Mahajan

Ajay Mahajan

Managing Director & CEO

CARE Ratings Ltd.

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CIN: L67190MH1993PLC071691

12th June 2021

Press Release

Audited financial Results for Fourth quarter of 2020-21 and fiscal 2020-21

The Board of Directors of CARE Ratings approved the financial results for the fourth quarter of 2020-21 and full year 2020-21 in the Board meeting held on Saturday the 12th of June 2021.

Consolidated results

CARE Ratings consolidated total income increased by 1.68% percent from Rs. 275.11 Crore in 2019-20 to Rs. 279.74 crore in 2020-21. Total expenses have decreased by 5.80 percent during this year. Operating profit increased by 20.28 percent from Rs. 72.63 crore to Rs.87.35 crore. Net profit increased from Rs.83.48 crore to Rs.90.97 crore, an increase of 9%.

For the fourth quarter total income increased by 16.14 percent from Rs.73.41 crore to Rs.85.25 crore, while net profit rose by 69% from Rs.15.68 crore to Rs.26.49 crore.

The consolidated financials include those of CARE Ratings and its four subsidiaries.

Standalone results

CARE Ratings standalone total income increased by 0.54 percent from Rs.250.44 crore in 2019-20 to Rs. 251.78 crore in 2020-21. Total expenses have decreased by 7.42 percent during this period. Operating profit increased by 16.98 percent from Rs.68.91 crore to Rs.80.62 crore. Net profit increased from Rs.80.50 crore to Rs.85.83 crore.

For the fourth quarter total income increased by 15.30 percent from Rs. 64.89 crore to Rs. 74.82 crore, while net profit increased by 58.36% from Rs. 13.95 crore to Rs. 22.09 crore.

The financial year was challenging for businesses as the economy registered degrowth of 7.3% which was reflected in a decline in the investment rate in the country. This had an impact on the overall demand for funds. Growth in credit to the manufacturing and services sectors, which are pertinent to our business, registered lower growth rates. Credit growth to manufacturing was lower at 0.4% for the year (0.7%) and that to services was 1.4% (7.4%). Debt issuances were higher but concentrated in the financial sector and PSUs. The growth of 0.54 percent in our rating income should be viewed against this backdrop as our business and ratings teams worked hard to maintain the surveillance book while enhancing new business notwithstanding the low economic conditions.

At the macro level the RBI did introduce measures to enhance liquidity in the system through TLTROs to provide a boost to specific sectors like NBFCs and SMEs. There was also a onetime restructuring scheme (OTR) which was introduced that provided some scope for ratings.

The subsidiary companies have witnessed growth of 13 percent in total income with net profit improving from Rs.3.48 crore to Rs. 5.87 crore. This was supported by a significant contribution from CARE Risk Solutions Private Limited and CARE Ratings Nepal Limited.

The company had concentrated on a planned outreach programme with several webinars being held on various sectors like banking, steel, construction, real estate, among others with guest speakers from industry. This was complemented with research reports on the economy (domestic and world) and industry to provide views on performance and prospects.

''Our performance during the year has been reasonably good given the external environment that witnessed severe deceleration due to Covid, as evident in the sluggish growth in credit offtake.", said Ajay Mahajan, MD & CEO of CARE Ratings. 'We are firmly on a transformative journey at CARE Ratings, and we are pleased about the overall performance in such challenging times. Our focus firmly remains on improvement in productivity, strengthening analytical rigour in ratings & also diversifying revenue streams going forward. FY22 has not quite begun on the right note with two months of lockdowns across the country which has already affected growth in credit and debt issuances. We surely have another challenging year ahead, which hopefully will be less severe than last year though still quite a distance from normal,' he added.

The Board of Directors have recommended final dividend of Rs.6/- per share (of Rs. 10/- face value) which will take the total declared for the year to Rs 17/share.

For further information contact:

Ajay Mahajan, MD & CEO – ajay.mahajan@careratings.com
Mehul Pandya, Executive Director – mehul.pandya@careratings.com

Investor Presentation – Q4 FY21

June 12, 2021

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Financial Performance – Q4 FY21

(Rs. Crore)

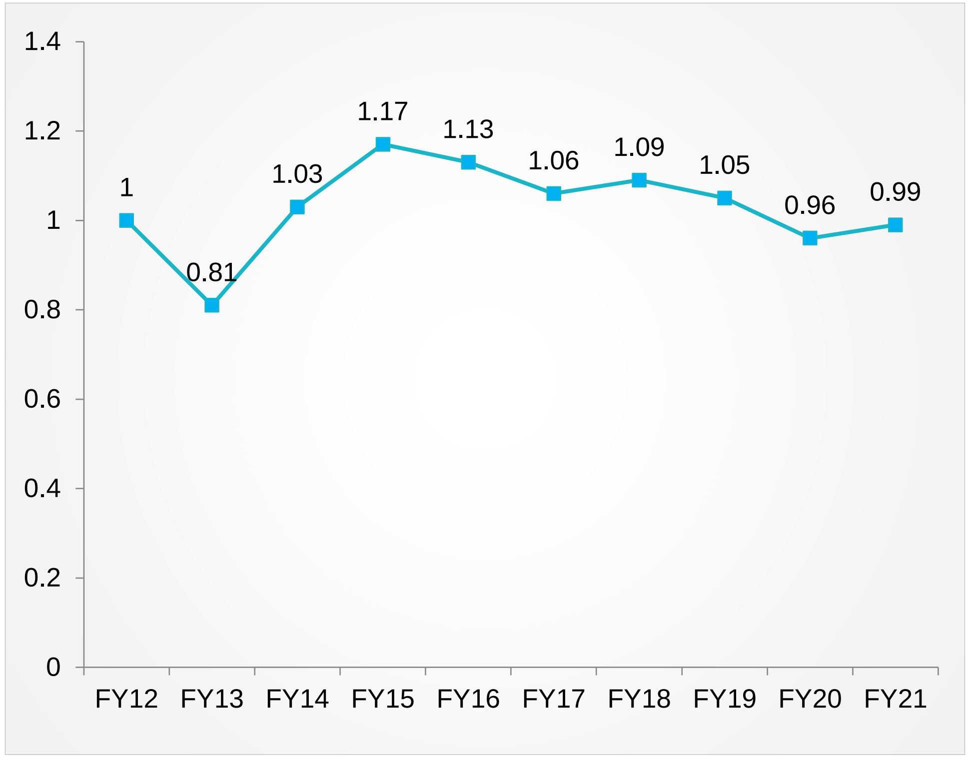
Particulars	Standalone		% Change	Consolidated		% Change
	Q4 FY20	Q4 FY21		Q4 FY20	Q4 FY21	
Total Income	64.89	74.82	*15%*	73.41	85.25	*16%*
Total Expenses	46.71	45.25	*-3%*	53.04	50.81	*-4%*
Profit Before Tax (PBT)	**18.18**	**29.56**	***63%***	**20.36**	**34.44**	***69%***
Provision for Tax	4.23	7.47	*77%*	4.68	7.95	*70%*
Profit After Tax (PAT)	**13.95**	**22.09**	***58%***	**15.68**	**26.49**	***69%***
Profitability						
PBT (%)	**28%**	**40%**		**28%**	**40%**	
PAT (%)	**22%**	**30%**		**21%**	**31%**	
Basic EPS (Rs. per share)	**4.73**	**7.50**		**5.19**	**8.85**	

Financial Performance – FY21

(Rs. Crore)

Particulars	Standalone		% Change	Consolidated		% Change
	FY20	FY21		FY20	FY21	
Total Income	250.44	251.78	*1%*	275.11	279.74	*2%*
Total Expenses	150.19	139.05	*-7%*	171.02	161.09	*-6%*
Profit Before Tax (PBT)	**100.25**	**112.73**	***12%***	**104.09**	**118.65**	***14%***
Provision for Tax	19.75	26.90	*36%*	20.61	27.68	*34%*
Profit After Tax (PAT)	**80.50**	**85.83**	***7%***	**83.48**	**90.97**	***9%***
Profitability						
PBT (%)	**40%**	**45%**		**38%**	**42%**	
PAT (%)	**32%**	**34%**		**30%**	**33%**	
Basic EPS (Rs. per share)	**27.32**	**29.13**		**27.96**	**30.38**	

MCR



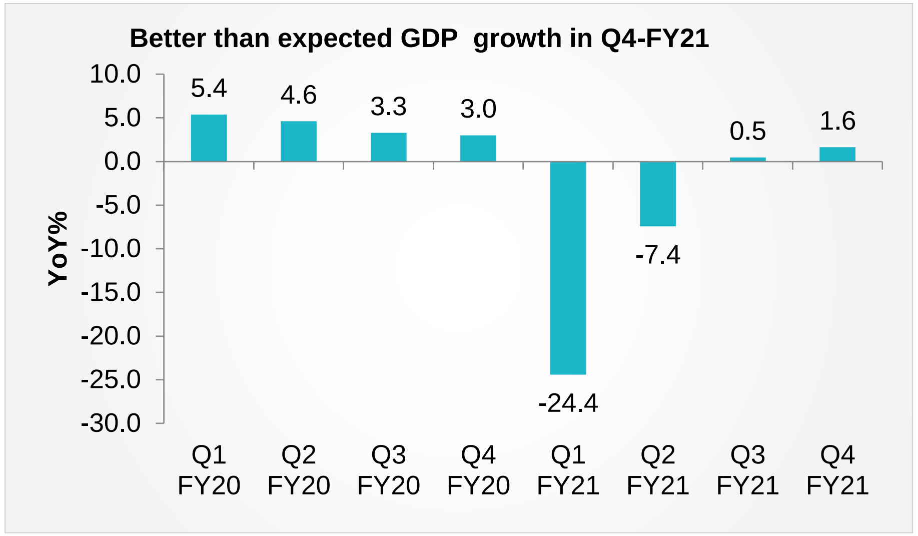
Source: CARE Ratings

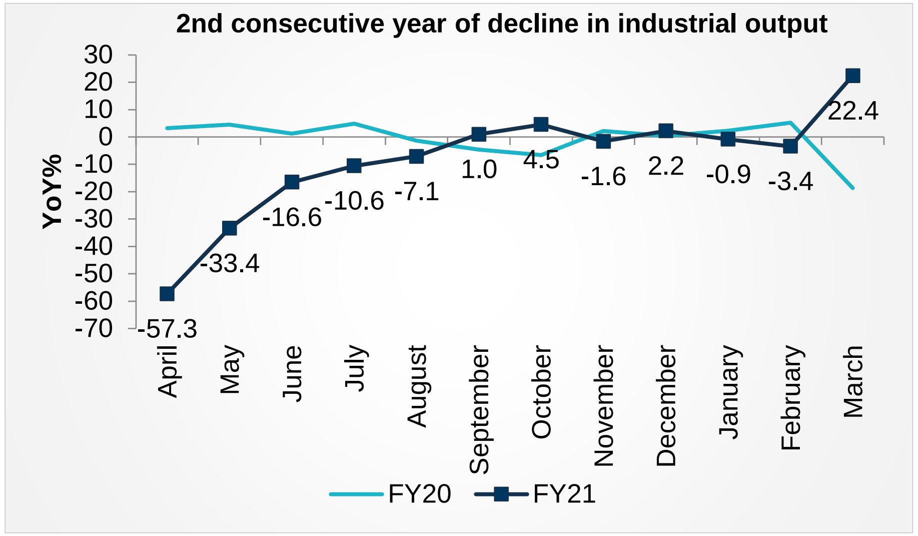
- The MCR is defined as the ratio of (upgrades and reaffirmations) to (downgrades and reaffirmations)

- The credit quality of CARE Ratings' rated entities has remained moderate in FY21 primarily owing to the pandemic led disruptions. The ratio was at 0.99 for FY21 marginally higher than 0.96 in FY20

- There has been a sequential improvement in the ratio over the second half of the year.

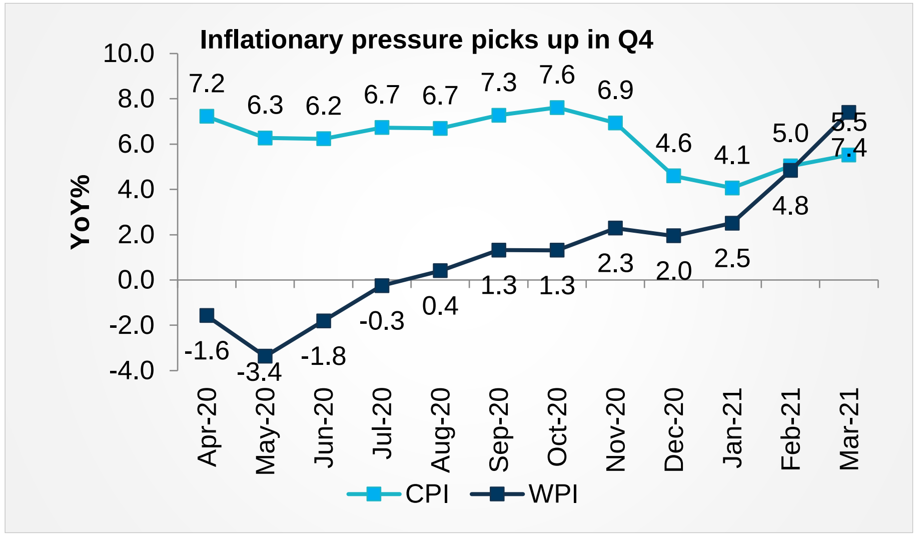
Macro Progress

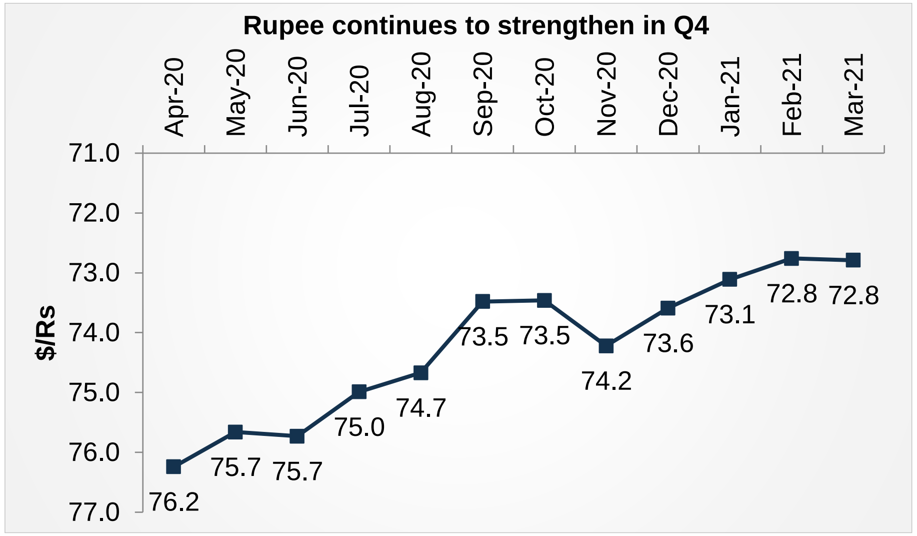




Source: MOSPI
The economy contracted by 7.3% in FY21

Source: Office of Economic Advisor
IIP fell by 8.6% in FY21 after a fall of 0.8% in FY20; base effect drives March'21 numbers

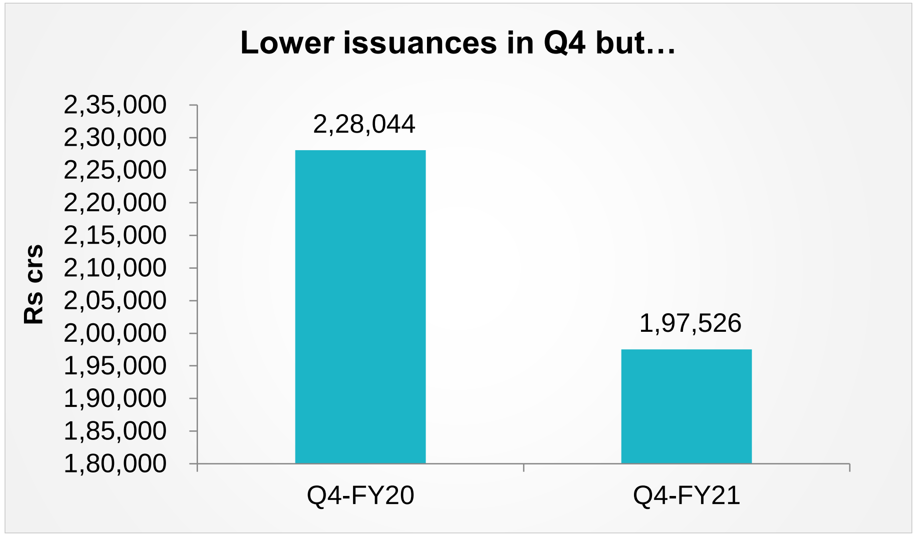




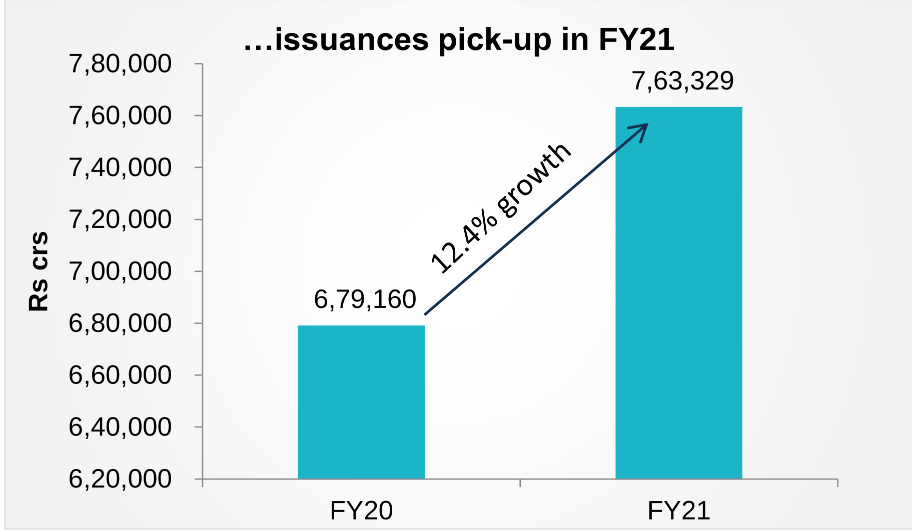
Source: MOSPI
CPI in FY21: 6.2% ; WPI in FY21: 1.3%

Source: Livemint

Bond Market Development



Source: Prime database

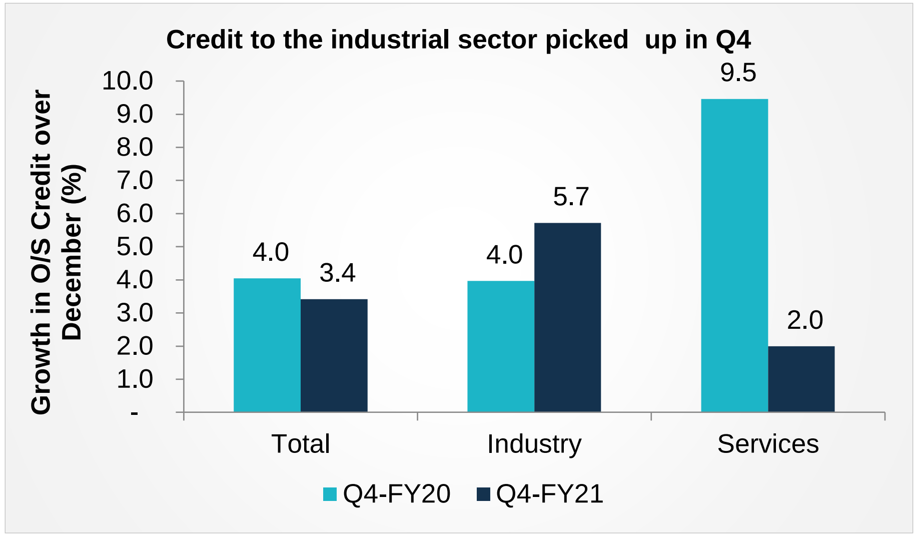


Source: Prime database

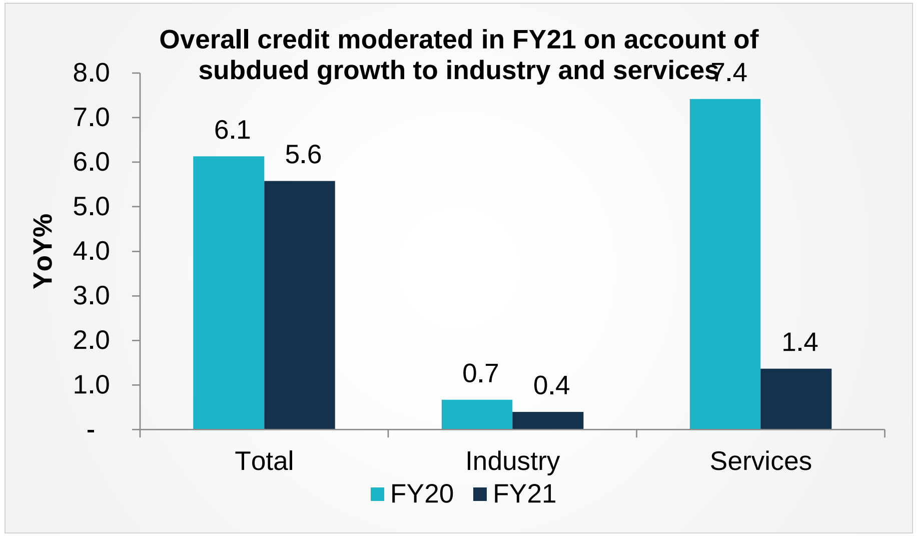
Industry-wise issuances	% share – FY21
Banking/Term Lending	37.0
Financial Services/Investments	16.4
Housing Finance	14.1
Roads & Highways	6.9
Power Generation & Supply	4.8
Oil Exploration/Drilling/Refining	3.2
Housing/Civil Construction/Real Estate	3.1
Telecommunications	2.5
Others	12.0

- Almost 2/3rd of the issuances in FY21 was from the financial sector supported by liquidity measures like LTROs and TLTROs introduced by the RBI
- Corporate bond yields have eased from 8% in March 2020 to 7.2% in March 2021 and had declined to a low of 6.33% in January 2021
- The average cost of borrowings via the corporate bond market has moderated from 8.3% in FY20 to 6.9% in FY21

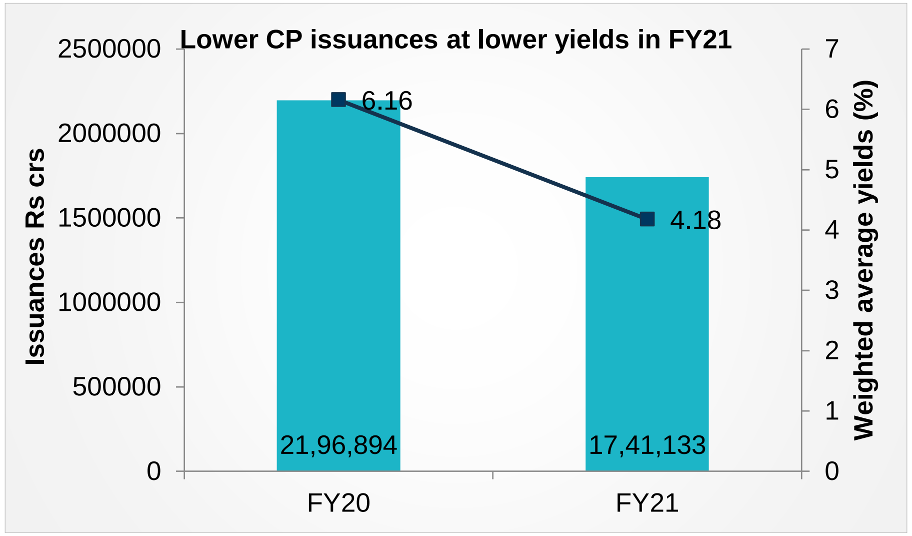
Bank progress limited with NPA concerns



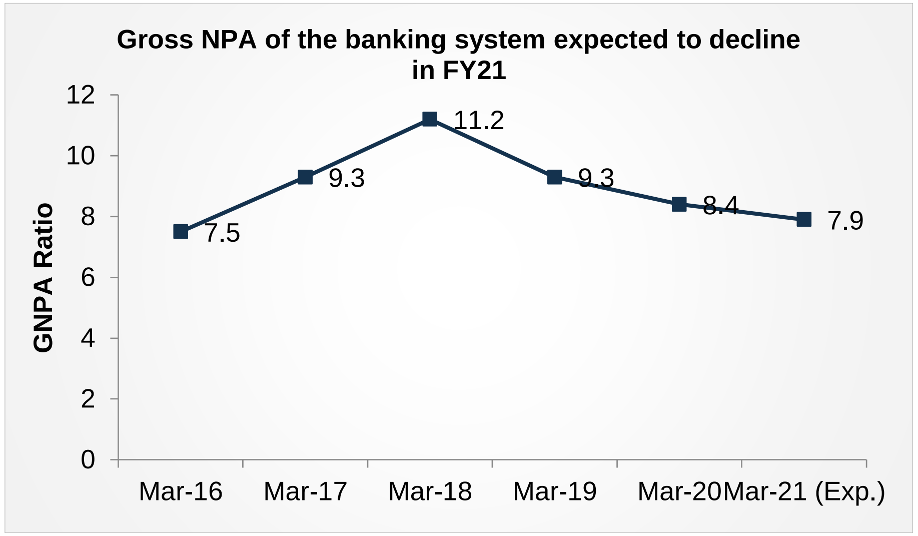
Source: RBI



Source: RBI



Source: RBI, Prime Database

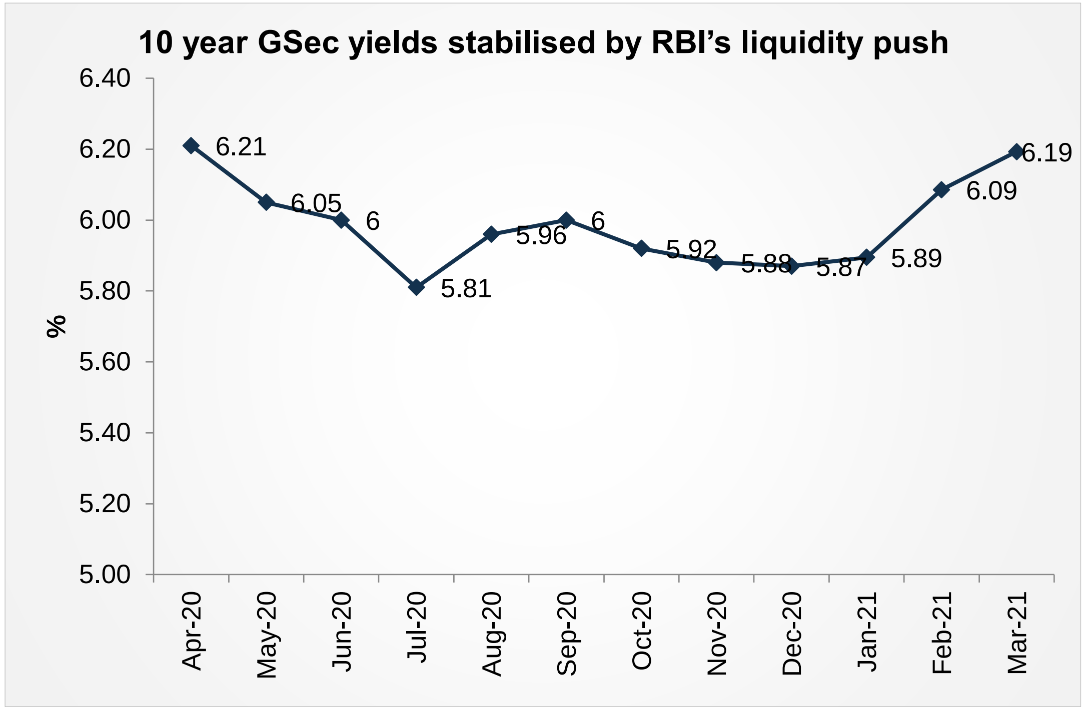


Source: RBI, CARE Ratings

Liquidity infusion stabilises interest rates

	Amount announced	Amount Accepted	Amount O/S As on March 30, 2021
LTRO	2,00,000	1,25,117	1,530
TLTRO 1.0	1,00,000	1,00,050	67,602
TLTRO 2.0	50,000	12,850	7,950
On-Tap TLTRO	1,00,000	5,000	5,000
Net OMOs (Including Special OMOs)	3,19,960		
SLF for MFs	50,000		
Refinance to AIFIs	75,000		
CRR Cut*	1,37,000		
MSF (dip 1% in SLR)	1,37,000		

* The CRR was reduced from 4% to 3% in March 2020 but the same has been normalised to 3.5% by March 26, 2021 and 4% by May 22, 2021



Source: FBIL

The benchmark 10 year average yields have declined from 6.7% in FY20 to 5.99%

CARE Ratings’ Prognosis for FY22

- Second wave of COVID-19 pandemic has severely impacted the recovery process
  - CARE Ratings has **revised its GDP projection for FY22 to 8.8-8.9%** for FY22 as against the initial estimate of 11-11.2%
  - **Sectors most affected**: Hospitality, Aviation, Retail Trade, Real Estate, Automobiles, Textiles, Refinery products, Consumer Durables

- Recovery in the economy is expected from August 2021 onwards

- **View on RBI’s policy**
  - Repo rate likely to remain stable while 10 year
  - Gsec yields will be sticky in the 6% region
  - RBI’s liquidity support to continue

- **View on Government Stimulus**– A big-bang stimulus is unlikely; food relief measures have already been extended till November 2021

- **View on Debt market and Bank Credit**
  - Debt market to remain muted owing 2-month lockdown; issuances in the 1st 2 months have been low
  - Bank credit to be directed to the retail segment

Thank You