CARE Ratings
Professional Risk Opinion

Date: February 08, 2020
SE/2019-20/079

To,

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

Dear Sir/Madam,

Sub: <u>OUTCOME OF BOARD MEETING HELD ON FRIDAY, FEBRUARY 07, 2020</u>

Please find enclosed herewith the Press Release and 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.

Kindly take the above on record.

Thanking you,

Yours faithfully,

For CARE Ratings Limited

N K Jain

CARE RATINGS LIMITED MUMBAI INDIA

Navin Kumar Jain
Company Secretary & Compliance Officer

Encl : As above.

CARE Ratings Ltd.

CORPORATE OFFICE: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (E), Mumbai - 400 022.
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Email: care@careratings.com • www.careratings.com

A Wing - 1102 / 1103, Kanakia Wall Street, Andheri Kurla Road, Chakala, Andheri (E), Mumbai - 400 093
Tel: +91-22-6837 4400

CIN-L67190MH1993PLC071691

Registered office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai 400 022

CIN: L67190MH1993PLC071691

Mumbai, 8th February, 2020

Q3 and 9M 2019-20 Results

The Board of Directors of CARE Ratings approved the financial results for the quarter ended December 2019 in the Board meeting held on Friday, the 7th February, 2020.

Consolidated Financial Results

CARE Ratings' consolidated income from operations for 9M-FY20 was Rs. 177.67 crore compared with Rs. 229.55 crore in the comparable period previous year. Consolidated total income for the period ended December 31, 2019 was Rs. 201.70 crore as against Rs. 250.33 crore last year.

Profit after tax moderated to Rs. 67.80 crore compared with Rs. 101.38 crore during this period.

Standalone Financial Results

CARE Ratings'standalone income from operations for 9 months ended December 31 2019 was Rs. 161.44 crore compared with Rs. 215.87 crore in the comparable period previous year. Total income for 9M-FY20was Rs. 185.55 crore as against Rs. 236.23 crore in the corresponding period in the previous year.Profit after tax moderated to Rs. 66.55 crore compared with Rs. 100.35crore duringthe period ended December 31, 2018.

The Board of Directors have recommended interim dividend of Rs. 6/- per share (of Rs. 10/- face value) for the quarter ended December 31, 2019.

Major factors affecting results

The revenue for 9M-FY20 was lower by Rs. 50.68 crore and PAT was lower by Rs. 33.80 crore compared with the corresponding period last year. This was mainly due to subdued growth in the economy which was reflected in lower growth in credit during the first nine months of the year coupled with higher operating and other expenses.

Operational Data

During 9M-FY20 your company has rated total debt amounting to Rs. 7.35 lakh crore compared with Rs. 11.46 lakh crore in the corresponding period in the previous year. This comprises Rs. 2.84 lakh crore in bonds (Rs. 4.10 lakh crore last year), Rs. 2.89 lakh crore (Rs 4.88 lakh crore) bank loans and Rs. 1.62 lakh crore (Rs 2.48 lakh crore) in short term ratings (including Commercial Paper) during 9M-FY20.

Economic backdrop

During the first 9 months of the fiscal year, the economy continued to witness low growth owing to weak consumer demand and subdued investment climate. The liquidity in the banking system, continued to remain in a surplus position, though the lending activities by the banks were muted on account of NPA overhang along with subdued demand. The industrial activity in the first 8 months of the fiscal year remained subdued with the Index of Industrial Production (IIP) growth being as low as 0.7% during April-November 2019 as against the 5% growth witnessed in the corresponding period last year. The lackluster growth in output across various sectors has led to low growth rate in the industrial output during this period.

Corporate bond issuances have increased during the first 9 months of the ongoing fiscal year and were 15% higher at Rs. 4.62 lakh crore compared with Rs. 4.02 lakh crore in the corresponding period last year. But more than 2/3 were issuances from the financial sector. During 9M FY20, the incremental bank credit growth over March 2019 was low at 1.8% compared with the 7.7% growth witnessed during the same period last year. Credit offtake by industry and services contracted by 2.6% during 9M FY20 as against the 4.9% incremental growth in 9M FY19.

'The external environment that is critical for our business continued to be downbeat for the third successive quarter which is reflected in the flow of funds that can be rated by us. Consistent weakness in the consumer demand has been one of the factors impacting growth. We are yet to see the greenshoots this year and it does appear that the economy would do better only in FY21 though Q4-FY20 should have better macroeconomic numbers compared with 9M-FY20' said Mr T.N. Arun Kumar, Interim CEO.

Contact:

Mr. T N Arun Kumar, Interim CEO,

022 - 6754 3412

ABOUT US

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 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 microfinance institutions, among others. The Company also provides issuer ratings and corporate governance ratings and offers rating of innovative debt instruments, such as REITs, expected loss (for infra), perpetual bonds etc. CARE Ratings is recognized for being knowledge based Company and has continued to work towards deepening the base.*

The company has a subsidiary CARE (Ratings) Africa Private Limited (CRAF) in Mauritius and CARE Ratings Nepal Limited in Nepal. The company has two wholly owned subsidiaries in Mumbai, India namely CARE Risk Solutions Private Limited and CARE Advisory Research & Training Limited. The Company has its registered office in Mumbai, and branches in Ahmedabad, Bengaluru, Chandigarh, Chennai, Coimbatore, Hyderabad, Jaipur, Kolkata, New Delhi, and Pune.

** In terms of rating income FY19.*

CARE RATINGS LIMITED
MUMBAI
INDIA

CARE Ratings Limited
Investor Presentation – 9MFY20

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CARE Ratings Group

CARE Ratings Limited

- CARE Risk Solutions Private Limited, 100%
- CARE Advisory Research and Training Limited, 100%
- CARE Ratings (Africa) Private Limited, 78%
- CARE Ratings (Nepal) Limited, 51%

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

Shareholding Snapshot as on December 31, 2019

Name 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
L&T MUTUAL FUND TRUSTEE LIMITED-L&T EMERGING BUSIN	4.80
STICHTING DEPOSITARY APG EMERGING MARKETS EQUITY P	4.55
MORGAN STANLEY ASIA (SINGAPORE) PTE.	4.24
BMO INVESTMENTS II (IRELAND) PUBLIC LIMITED COMPAN	4.02
VANGUARD EMERGING MARKETS STOCK INDEX FUND, A SERI	2.57
PINEBRIDGE GLOBAL FUNDS - PINEBRIDGE INDIA EQUITY	2.31
BAJAJ ALLIANZ LIFE INSURANCE COMPANY LTD.	1.92
RUSSELL INVESTMENTS LIMITED	1.80
BAOBAB GLOBAL FUND LTD	1.71
INDIA CAPITAL FUND LIMITED	1.69
BAJAJ HOLDINGS AND INVESTMENT LTD	1.69
GOVERNMENT PENSION FUND GLOBAL	1.50
WHITE RIVER PARTNERS, L.P.	1.39
INDIA INSIGHT VALUE FUND	1.34
DHANDHO INDIA ZERO FEE FUND, L.P	1.31
TATA STEEL LIMITED	1.20
EMERGING MARKETS CORE EQUITY PORTFOLIO (THE PORTFO	1.14
Total of Top 20 Shareholders	**66.09**

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Financial Performance

						Rs. in Crores
	Standalone		% Change	Consolidated		% Change
Particulars	9MFY20	9MFY19		9MFY20	9MFY19	
Revenue from Operations	161.44	215.87	-25.2%	177.67	229.55	-22.6%
Total Expenses	103.49	93.66	10.5%	117.97	106.42	10.9%
Operating Profit	**57.95**	**122.21**	**-52.6%**	**59.69**	**123.13**	**-51.5%**
Other Income	24.12	20.36	18.4%	24.03	20.78	15.7%
Profit Before Tax	**82.07**	**142.58**	**-42.4%**	**83.73**	**143.91**	**-41.8%**
Provision for Tax	15.51	42.23	-63.3%	15.93	42.54	-62.5%
Profit After Tax	**66.55**	**100.35**	**-33.7%**	**67.80**	**101.38**	**-33.1%**
Operating Profit margin (%)	35.9%	56.6%		33.6%	53.6%	
Profit Before Tax margin (%)	44.2%	60.4%		41.5%	57.5%	
Net Profit margin (%)	35.9%	42.5%		33.6%	40.5%	
Basic EPS (Rs. per share)	22.59	34.06		23.04	23.92	

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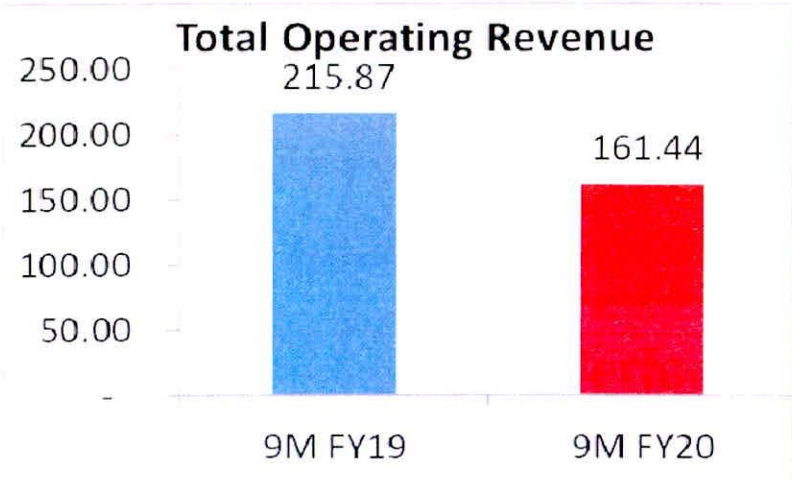
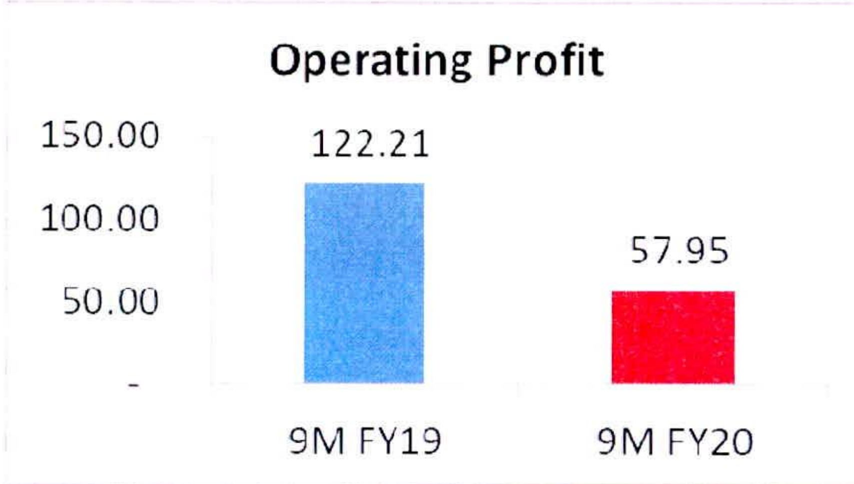
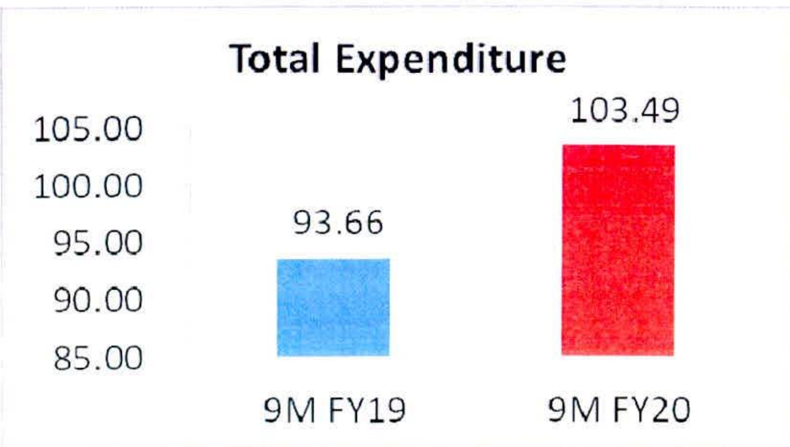
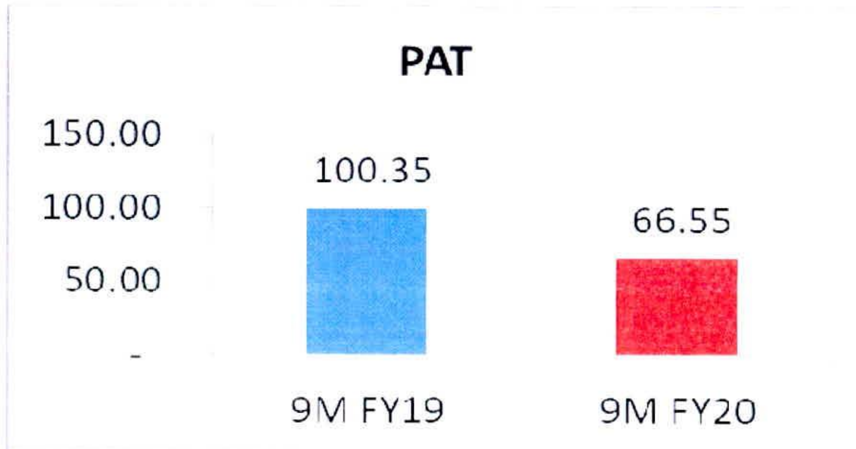
Financial Performance: 9MFY20 (Rs Cr)- Standalone









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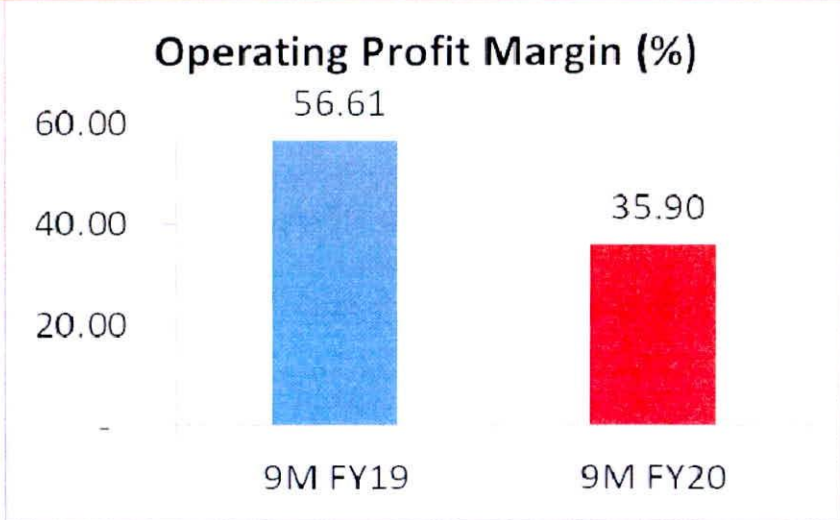
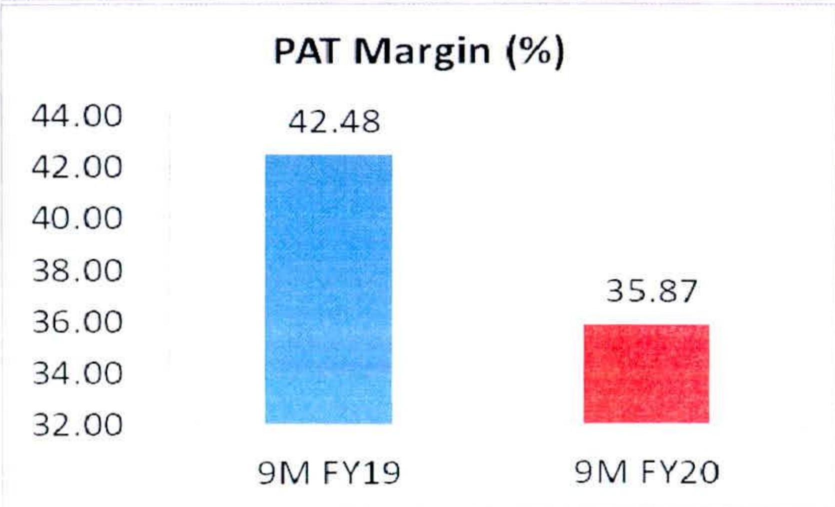
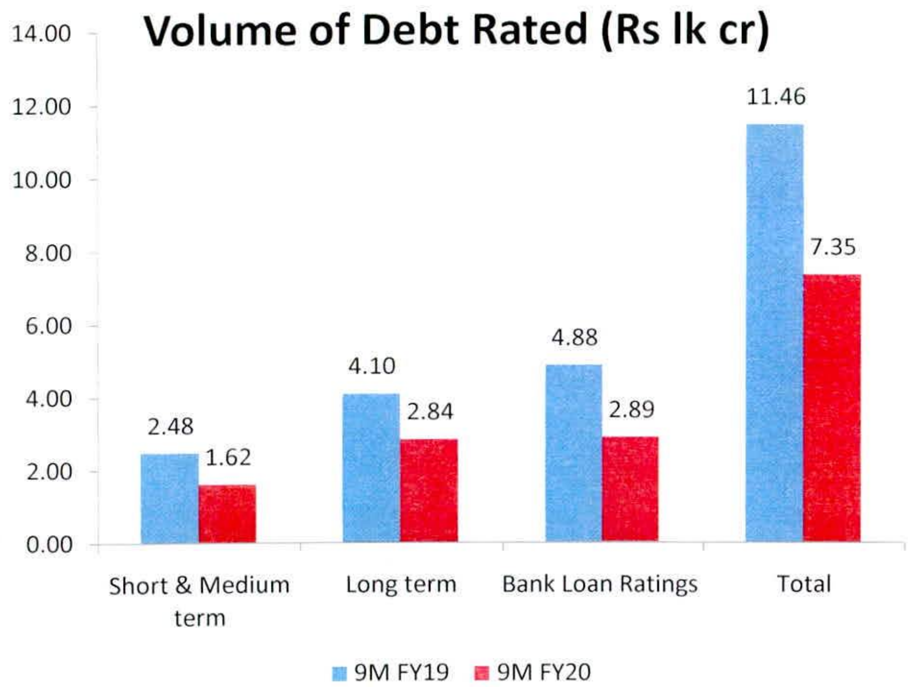
Financial Performance: 9MFY20 - Standalone

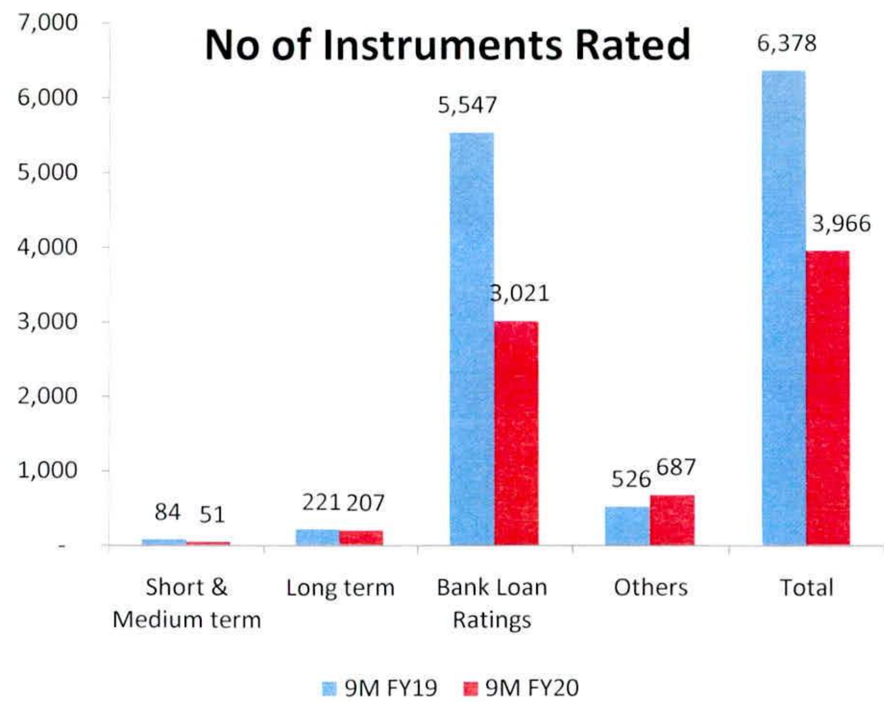




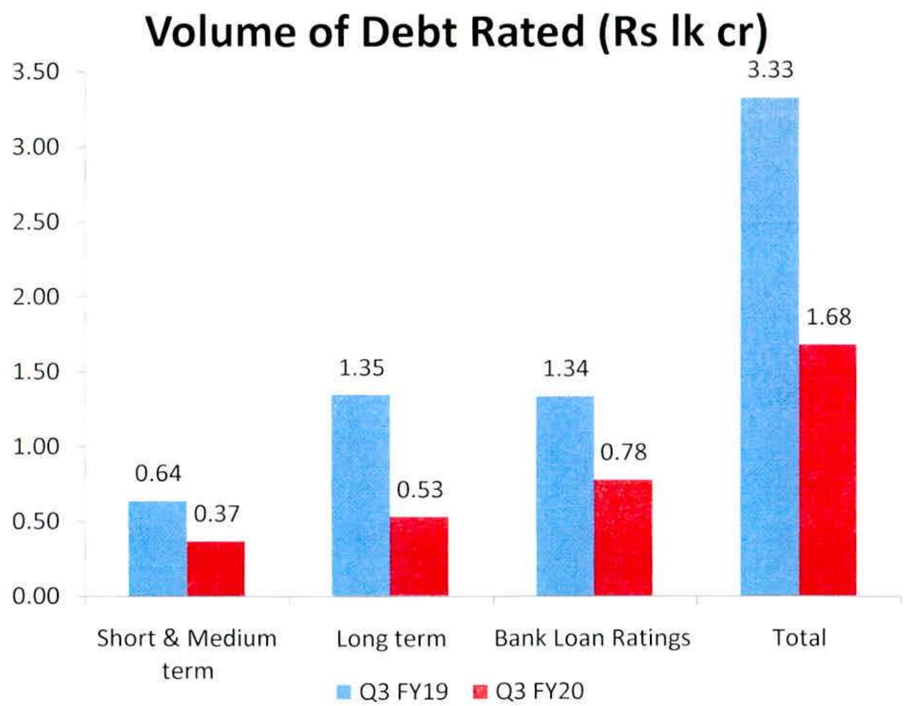
9MFY20 operating profit margin & PAT margin fell due to lower operating income (due to lower borrowing by the NBFC sector & muted Capex of the corporate sector) coupled with higher operating expenses due to increase in employee cost & other expenses

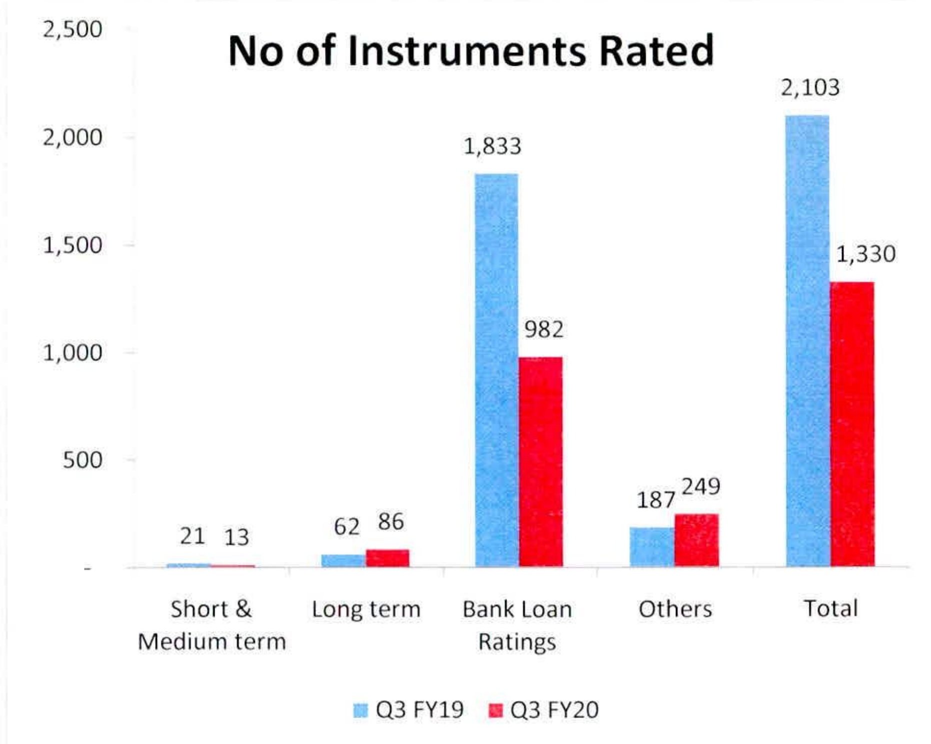
Business Performance (New clients): 9MFY20





Business Performance (New clients): Q3 FY20





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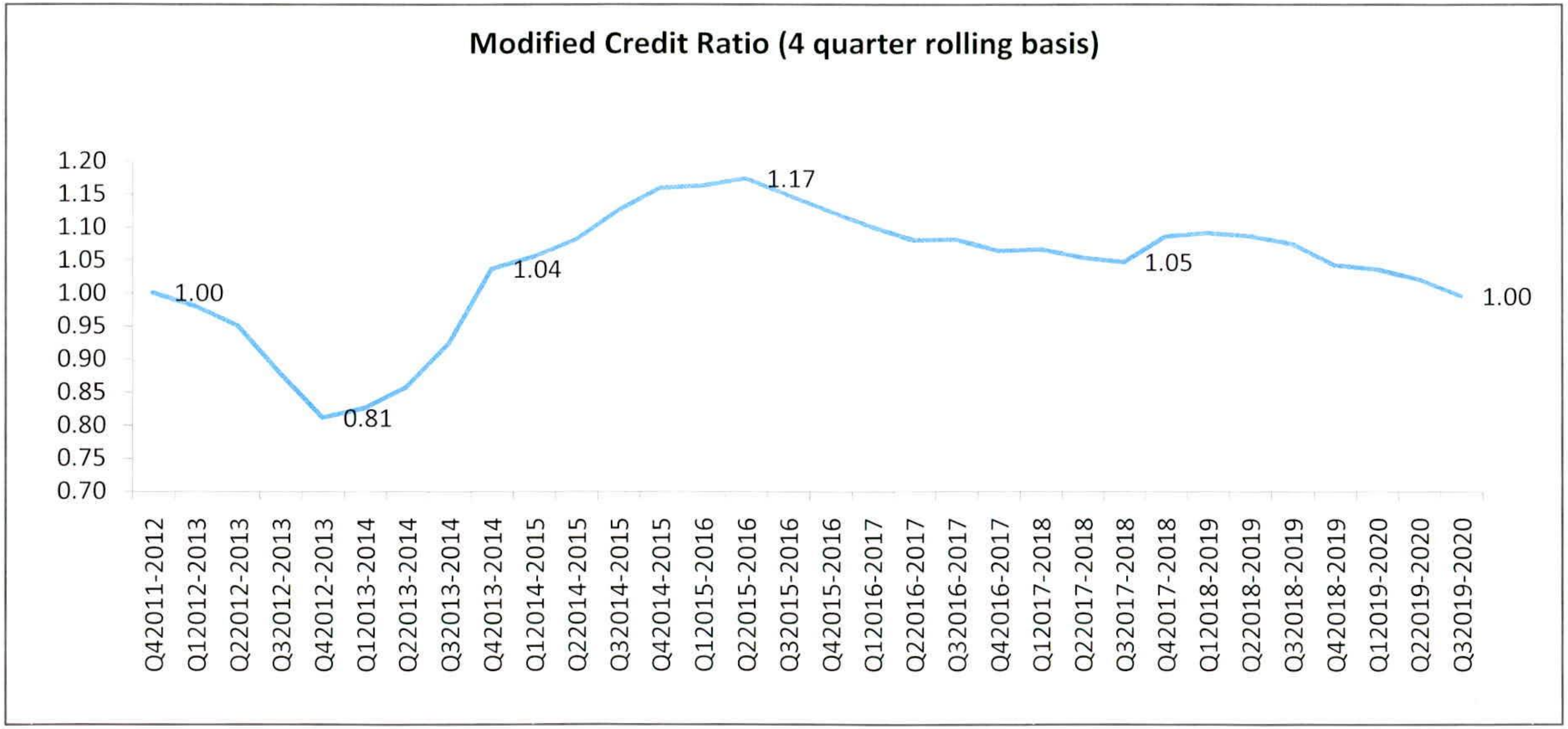
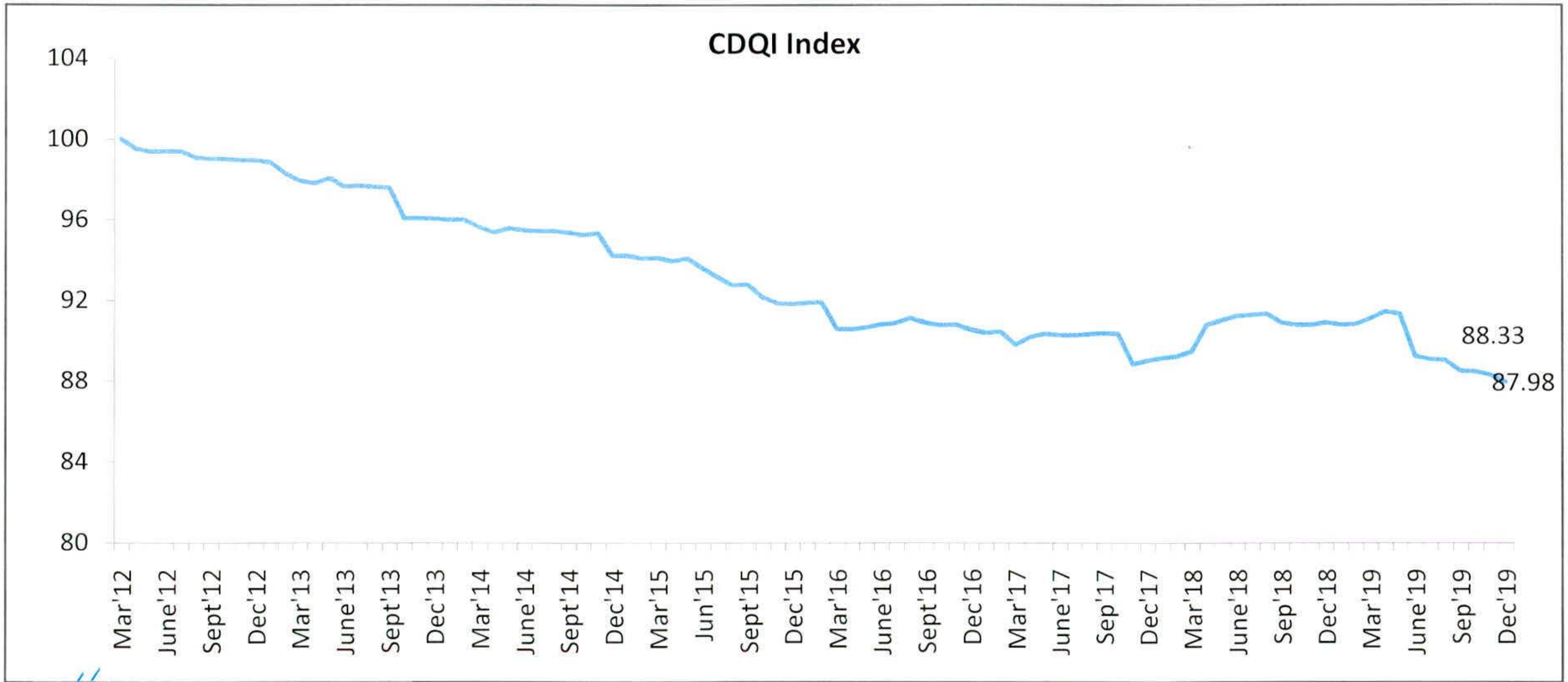
Rating Movement

There has been a near sustained moderation in the MCR since the second half of 2018-19 indicative of the weakening of overall credit quality. The credit quality of the rated entities as measured by CARE Rating's 'modified credit ratio' (MCR) in the first 9 months of 2019-20 has been the weakest in 6 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 migration. Thereafter, it declined by 0.54 points 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. CDQI declined by 0.36 points to 87.98 in the month of December'19.



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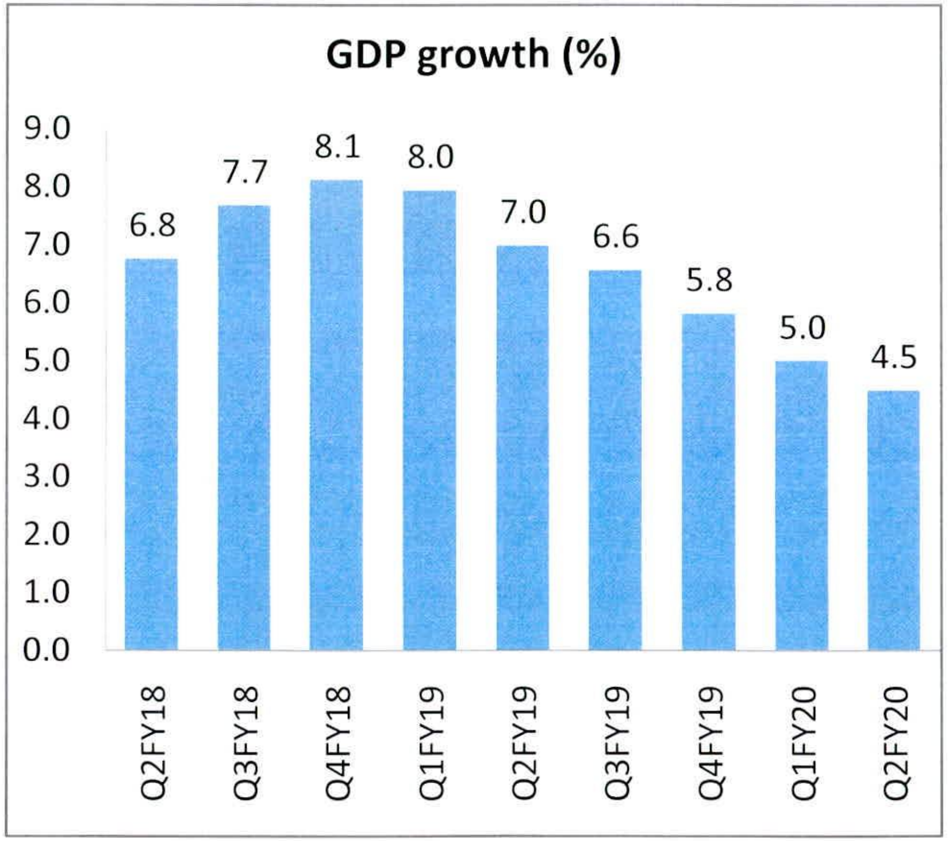
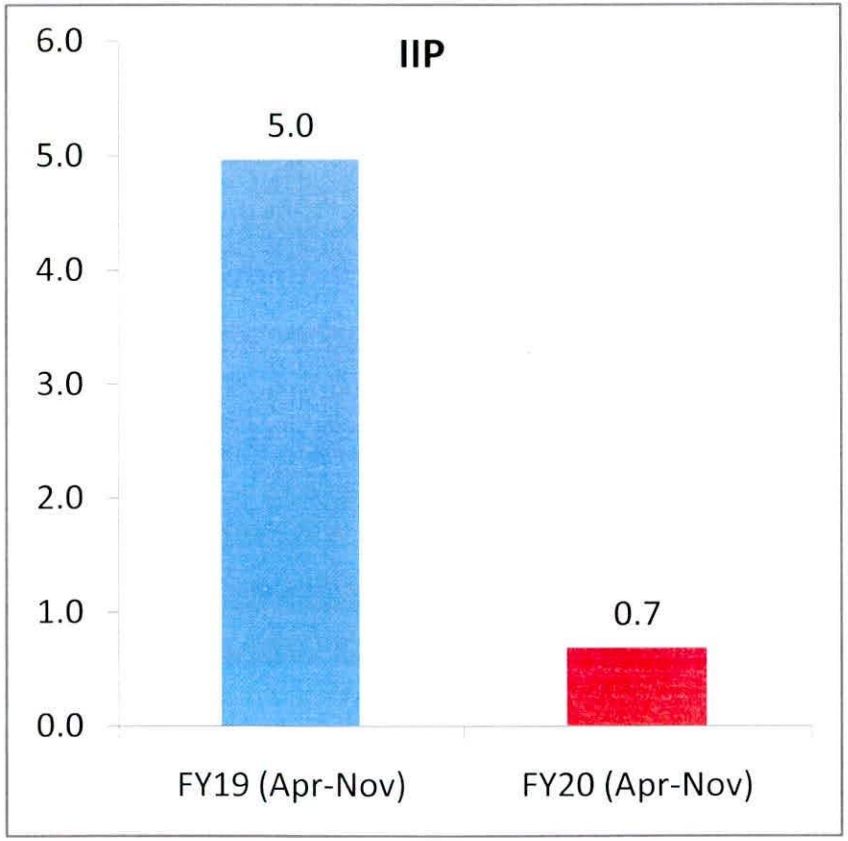
Economic Growth and Industrial Output





- As per first advance estimate, GDP is estimated to grow at 5% in FY20

Source: MOSPI

Source: MOSPI

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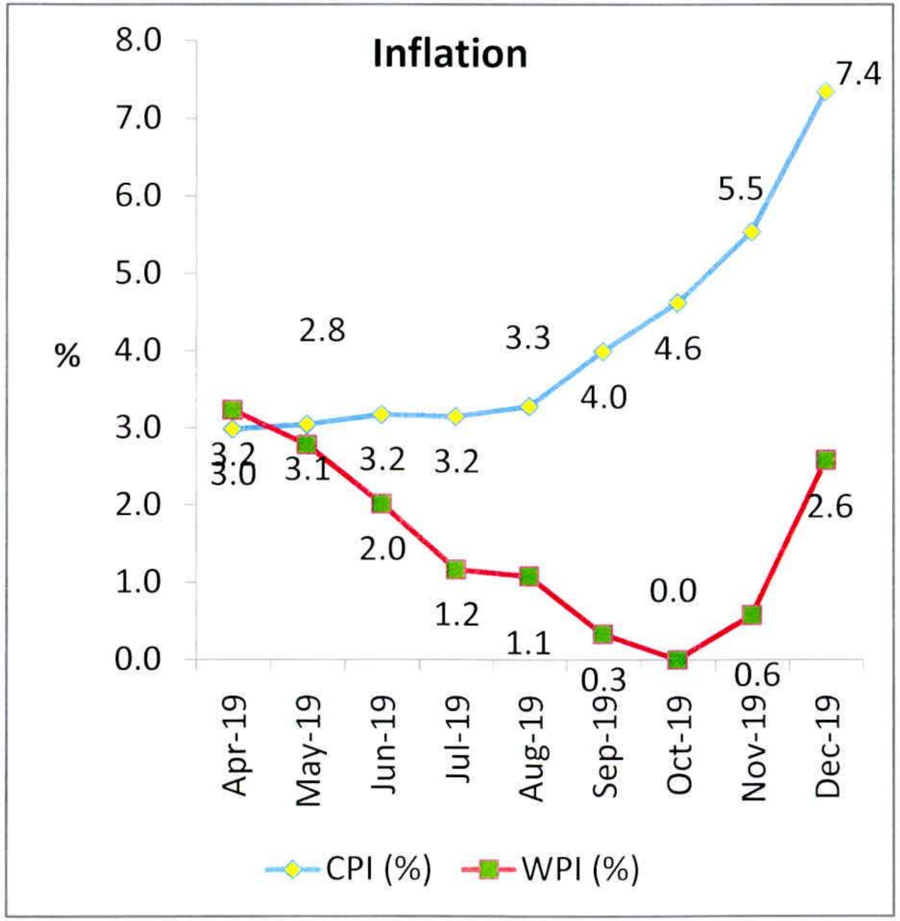
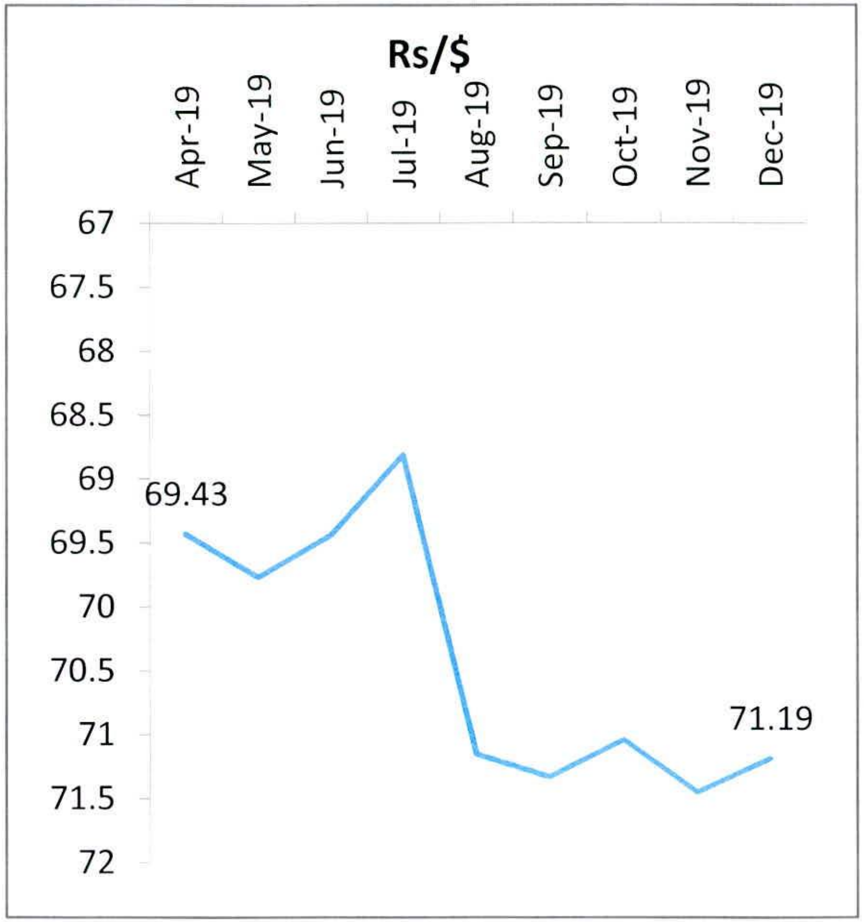
Inflation and Exchange Rate



Source: MOSPI



Source: RBI

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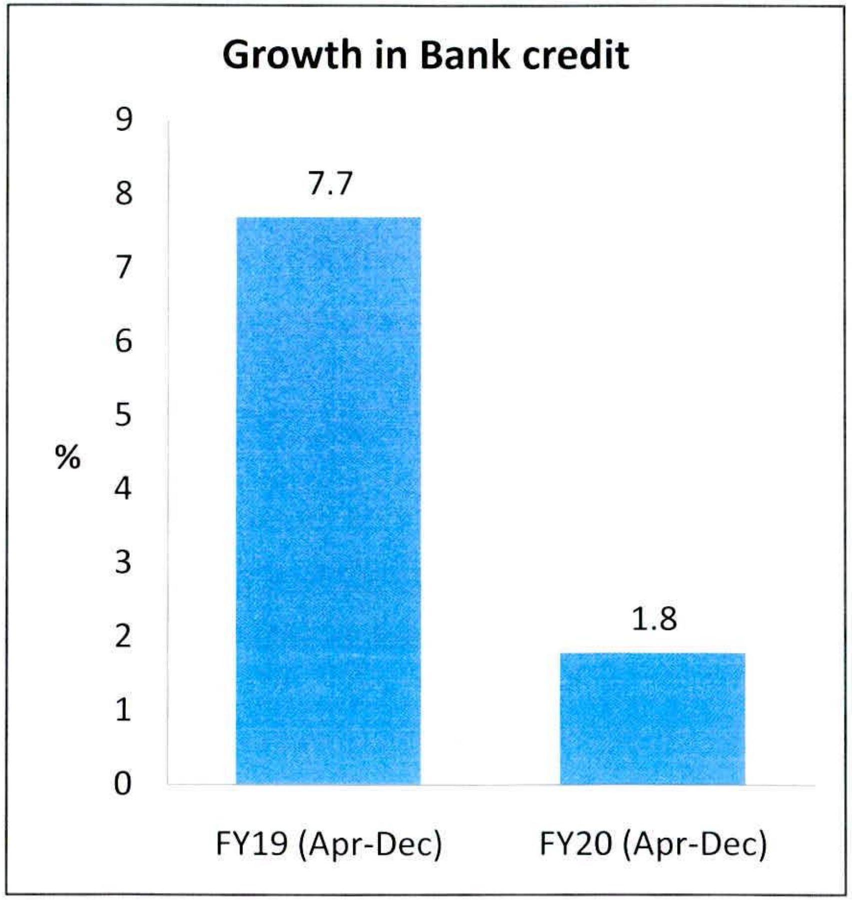
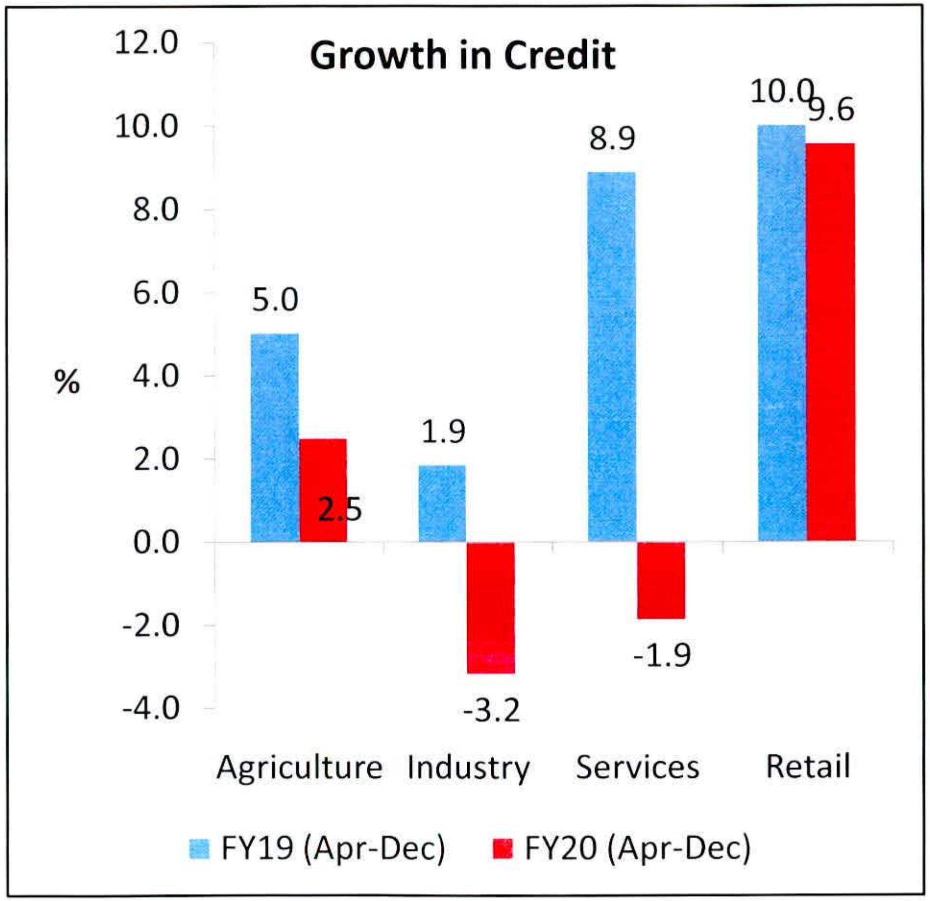
Bank Credit



Source: RBI



Source: RBI

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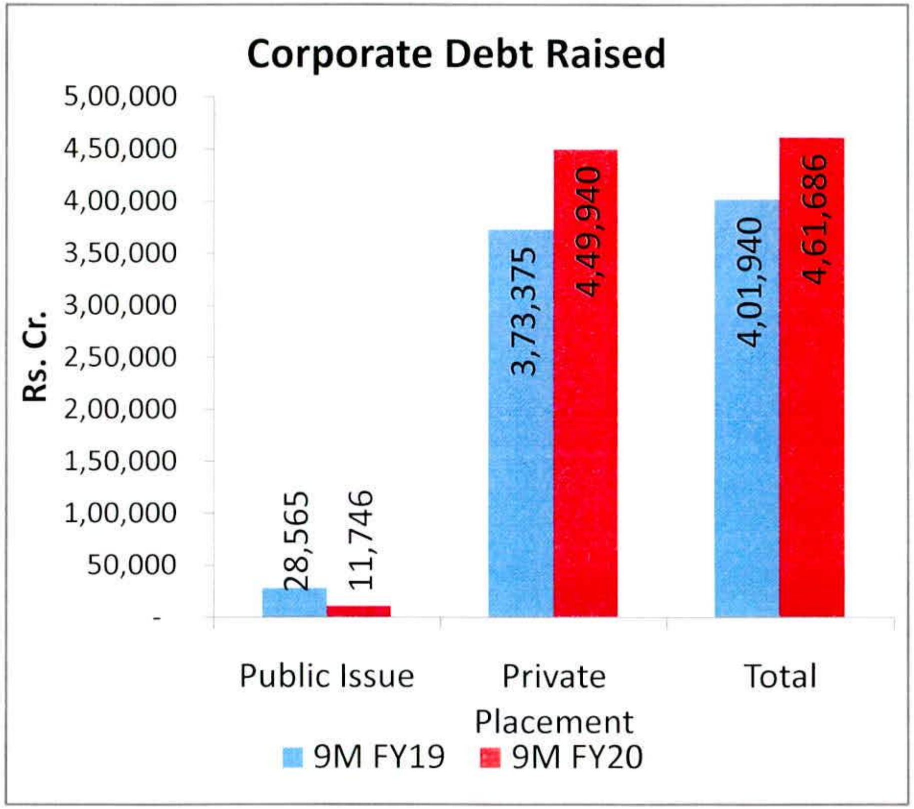
Corporate Bond Issuances



Source: SEBI

- Majority of the corporate bond issuances are raised by the financial sector (70% share)
  - Banks/term lending (39%), financial services/investment (16%), housing finance (15%)
- Infrastructure sector accounted for nearly 22% of the total corporate bond issuances
  - Roads and highways (8% share) and power generation and supply (6%) are the dominant industries within infrastructure

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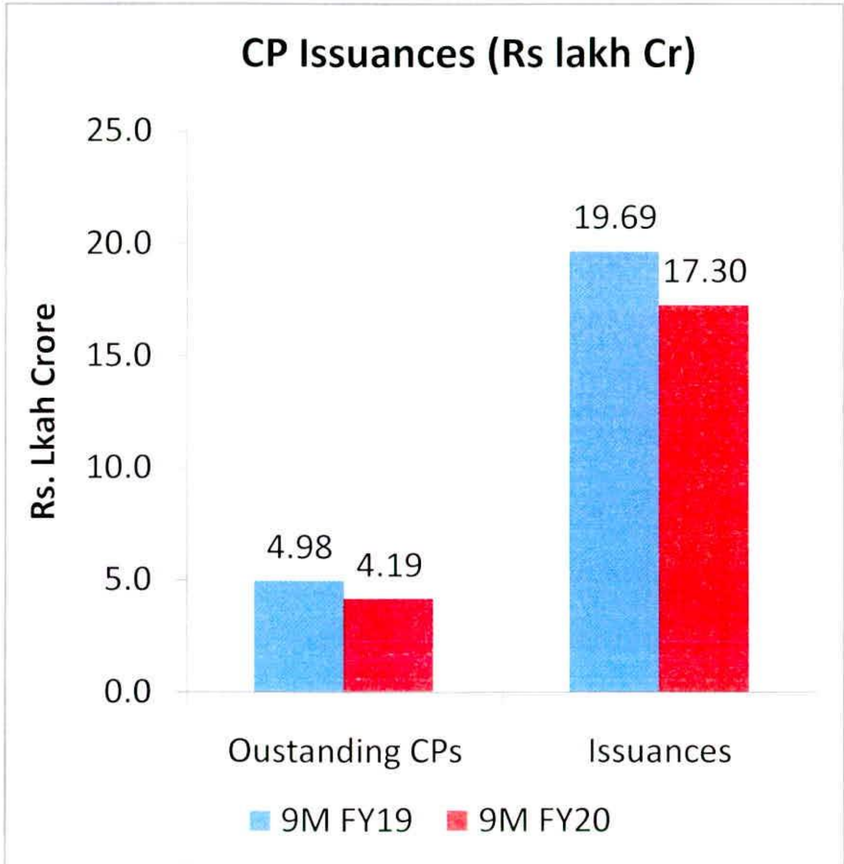
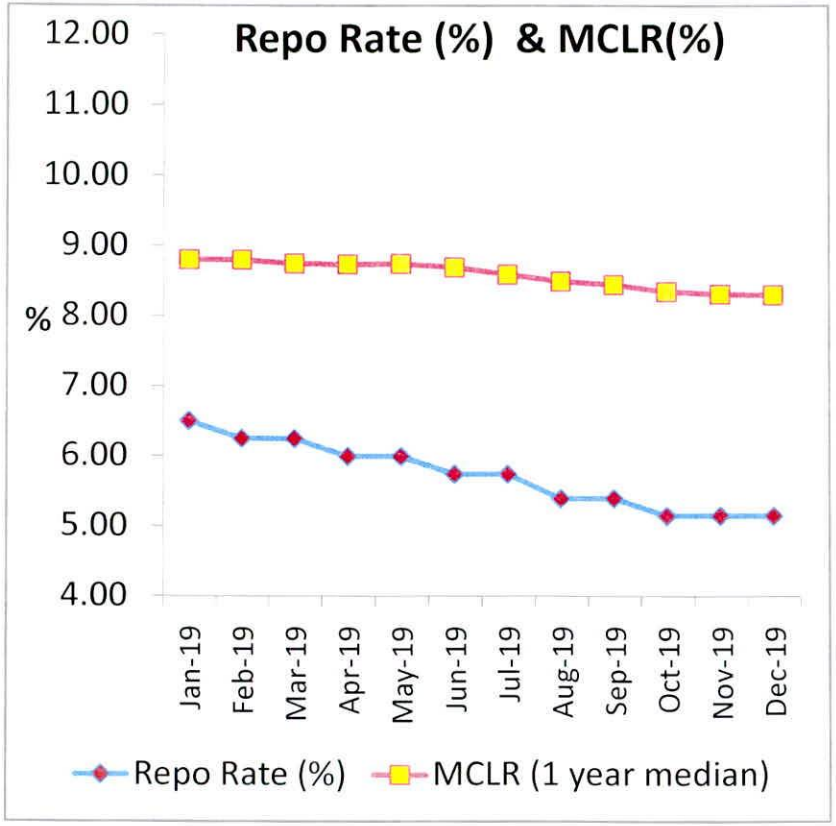
Commercial Paper

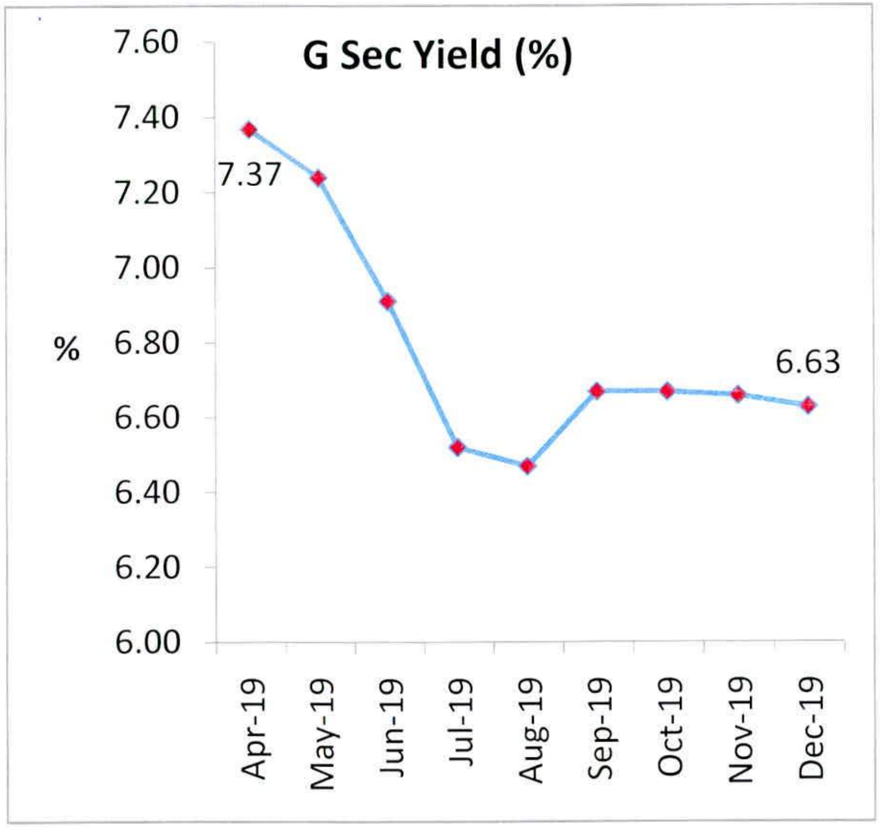


Note: Outstanding as on 31st Dec.
Source: RBI

- Within the total CP issuances, financial services/investment had highest share of 21% followed by oil exploration/drilling/refineries (16%) and term lending (12%)
- Some of the other sectors pertained to
  - Housing Finance (9%)
  - Telecom (8% share)
  - Power generation and supply (8% share)
  - Textiles (5%)
  - Fertilizer (4%)
  - Iron and steel (3%)

Interest Rate and GSec yields





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

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Economic Outlook for FY20

Indicators	CARE Ratings' Expectation FY20
GDP growth	5.2%
IIP growth	4%
Bank Credit Growth (% yoy)	8%
CPI inflation	4.5%
10 year benchmark GSec yield	6.5-6.6

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Thank You

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