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# ***CARE Ratings Limited***

## ***Investor Presentation – Q1FY20***

# SAFE HARBOR STATEMENT

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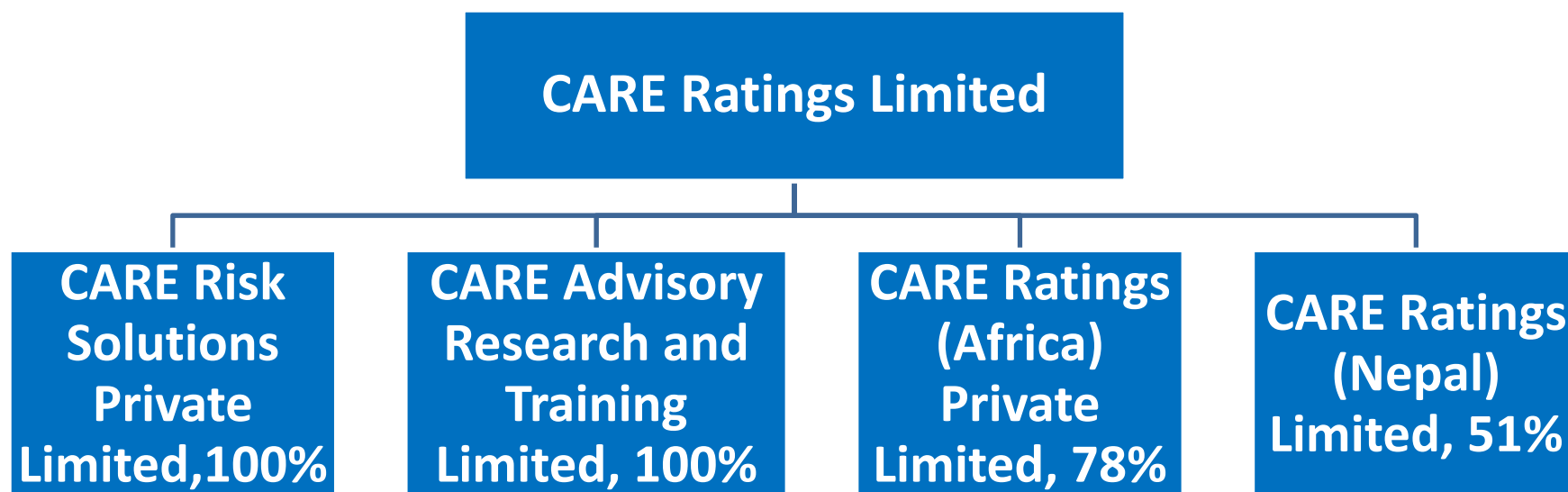
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# CARE Ratings Group

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# 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



- 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 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 Human Resources
- Before joining CARE he was associated with Tata Capital Financial Services, WNS Global Services, Videocon Industries limited
- Strong exposure of working in operational and strategic HR in various capacities

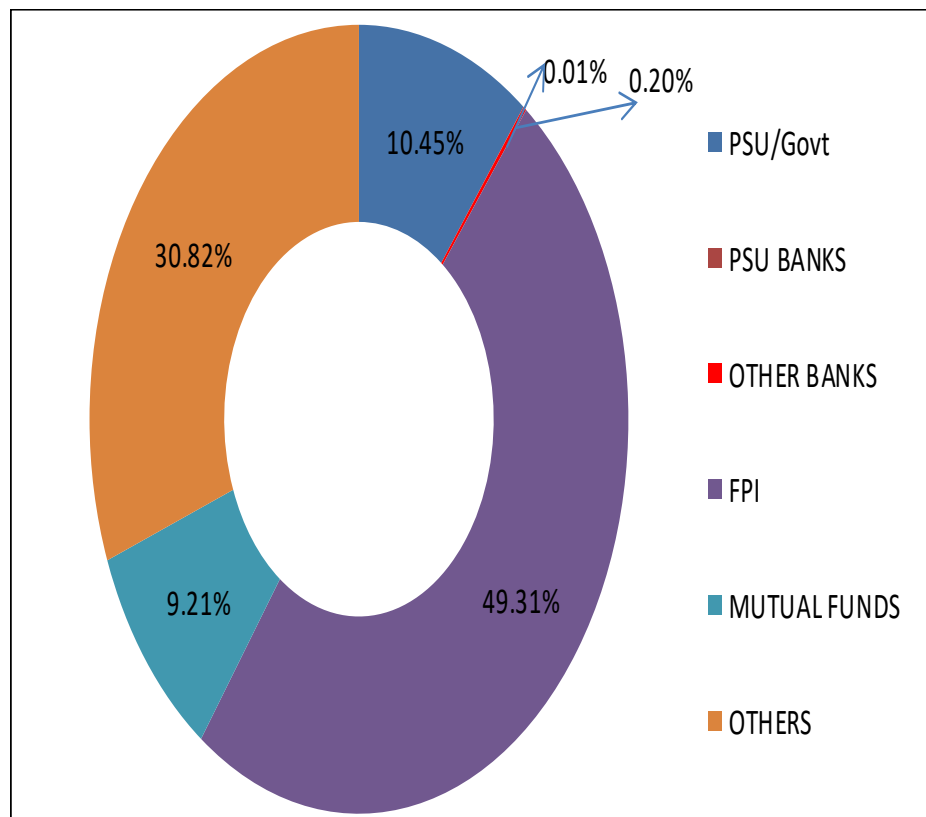


**PS Ramesh**  
*Senior Director*

- 26+ years of experience
- B Tech (IIT Madras) and MBA (IIM Bangalore)
- Before joining CARE he was associated with India and overseas in Axis Bank, DBS Bank, Jana Small Finance Bank, CRISIL and ICRA

# Shareholding Snapshot as on June 30, 2019

100% Public Shareholding- Professionally Managed



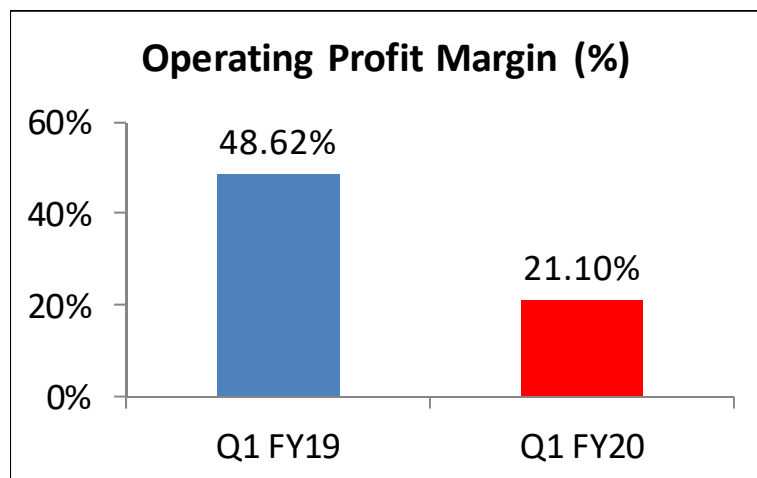
Names of Top 20 Shareholders	Holding %
LIFE INSURANCE CORPORATION OF INDIA+ LIC P & GS FUND	9.85
CRISIL LIMITED	8.90
FRANKLIN TEMPLETON INVESTMENT FUNDS + Mutual fund	8.13
STICHTING DEPOSITARY APG EMERGING MARKETS EQUITY P	6.84
VIRTUS KAR INTERNATIONAL SMALL-CAP FUND	5.18
INDIA CAPITAL FUND LIMITED	3.55
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 COMPAN	2.92
MORGAN STANLEY ASIA (SINGAPORE) PTE.	1.94
RUSSELL INVESTMENTS LIMITED	1.80
BAJAJ HOLDINGS AND INVESTMENT LTD	1.69
GOVERNMENT PENSION FUND GLOBAL	1.50
VANGUARD EMERGING MARKETS STOCK INDEX FUND, A SERI	1.29
TATA STEEL LIMITED	1.20
ISHARES CORE EMERGING MARKETS MAURITIUS CO	1.18
GOVERNMENT OF SINGAPORE - E	1.17
L AND T MUTUAL FUND TRUSTEE LTD-L AND T TAX ADVANT	1.09
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	1.05
TATA INVESTMENT CORPORATION LIMITED	1.05
<b>Total for Top 20 Shareholders</b>	<b>66.9</b>

# Financial Performance

Particulars	Standalone			Consolidated		
	Q1FY20	Q1FY19	% Change	Q1FY20	Q1FY19	% Change
Revenue from Operations	4,522	5,742	-21.2%	4,992	5,999	-16.8%
Total Expenses	3,568	2,950	21.0%	3,989	3,265	22.2%
<b>Operating Profit</b>	<b>954</b>	<b>2,792</b>	<b>-65.8%</b>	<b>1,003</b>	<b>2,734</b>	<b>-63.3%</b>
Other Income	774	424	82.4%	781	457	70.8%
<b>Profit Before Tax</b>	<b>1,728</b>	<b>3,216</b>	<b>-46.3%</b>	<b>1,784</b>	<b>3,191</b>	<b>-44.1%</b>
Provision for Tax	420	661	-36.5%	435	676	-35.6%
<b>Profit After Tax</b>	<b>1,309</b>	<b>2,555</b>	<b>-48.8%</b>	<b>1,349</b>	<b>2,516</b>	<b>-46.4%</b>
Operating Profit margin (%)	21.1%	48.6%		20.1%	45.6%	
Profit Before Tax margin (%)	32.6%	52.2%		30.9%	49.4%	
Net Profit margin (%)	24.7%	41.4%		23.4%	39.0%	
<b>Basic EPS (Rs. per share)</b>	<b>4.44</b>	<b>8.67</b>		<b>4.47</b>	<b>8.54</b>	

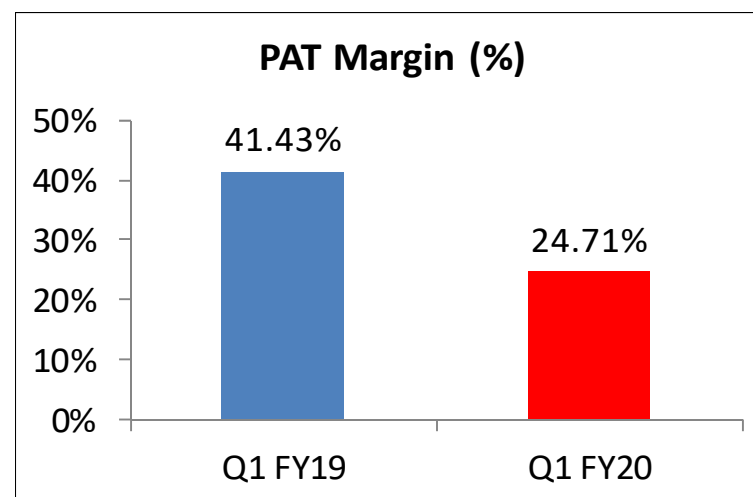


# Financial Performance: Q1 FY20

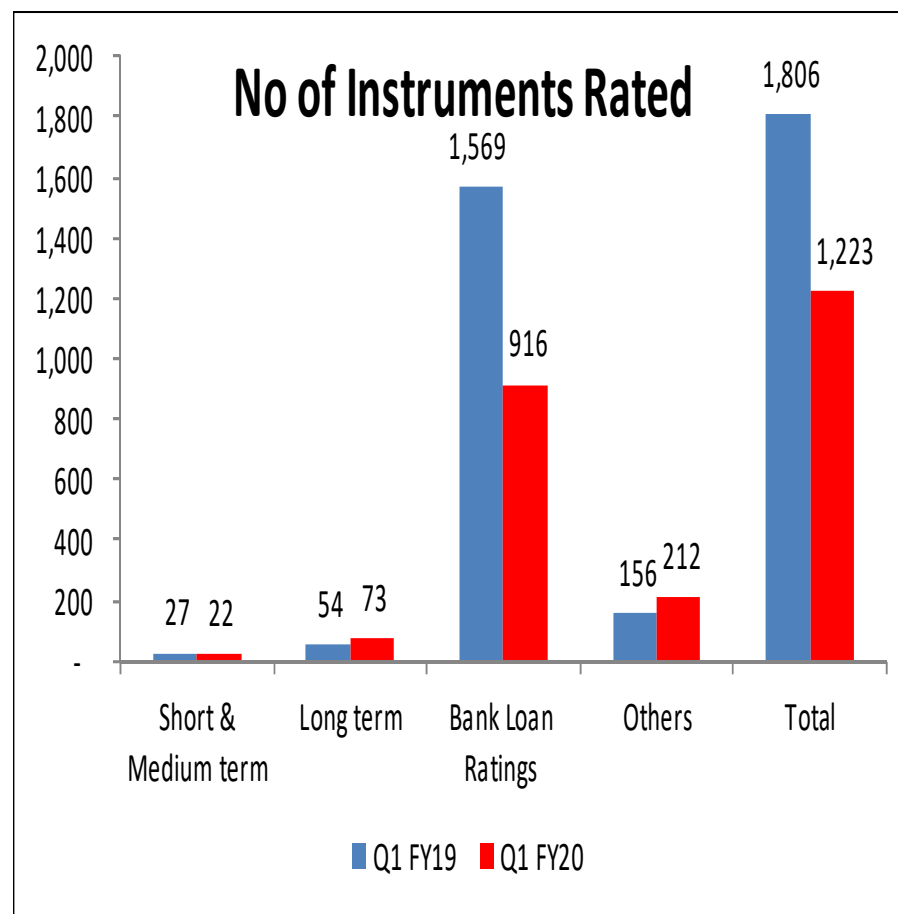
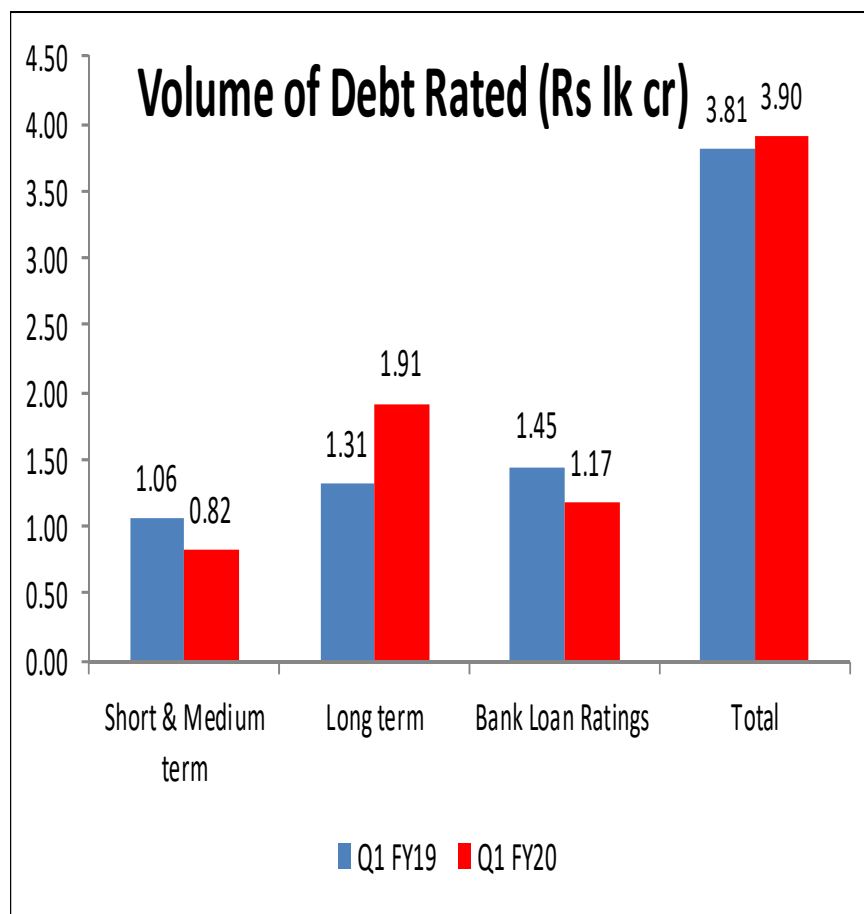


Q1 FY20 PAT margin falling due to revenue moderation, Increase in employee cost & other expenses

Q1 FY20 Operating profit margin falling due to prolonged period of headwinds faced by the NBFC sector since the end of the second quarter of FY19 & its impact on the borrowings by this segment. Capex related borrowings of corporate sector also not picking up. Rating income a function of availability of adequate information (including audited results) for conclusion of ratings & can impact quarterly rating revenues, especially in first quarter

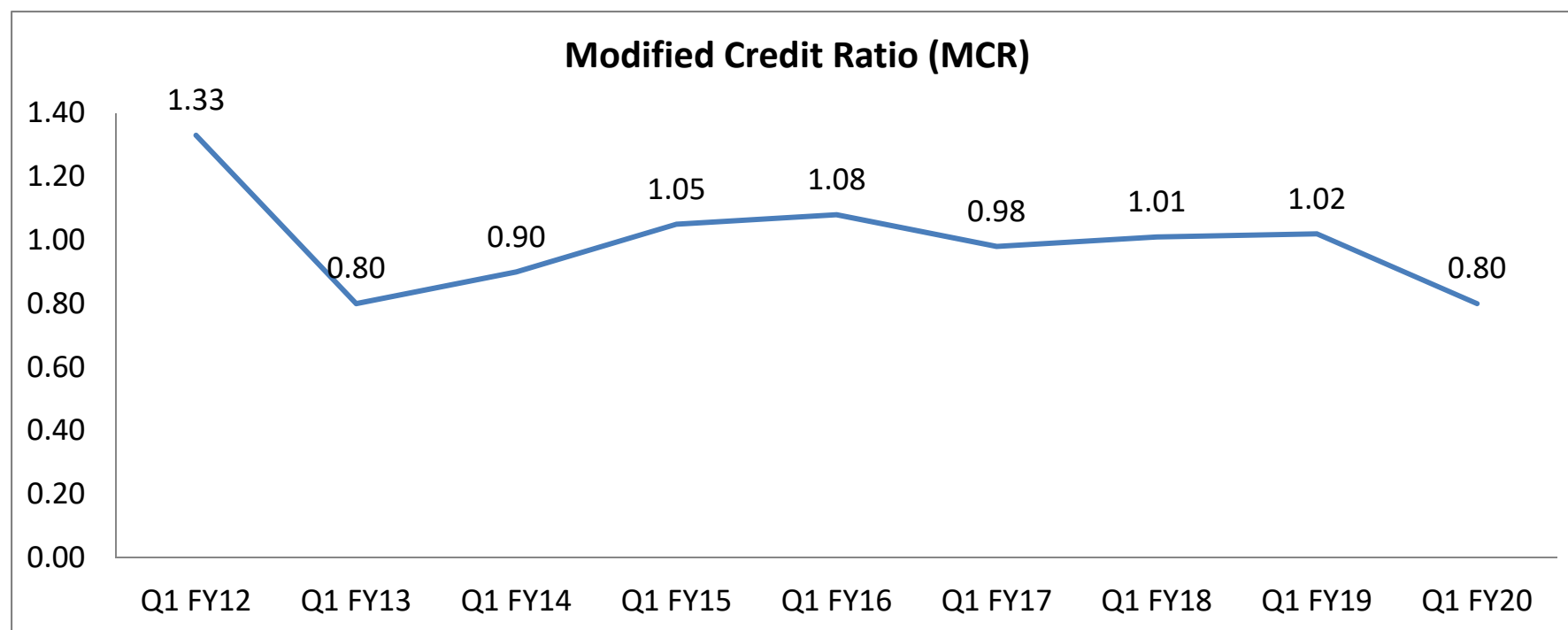


# Business Performance: Q1 FY20



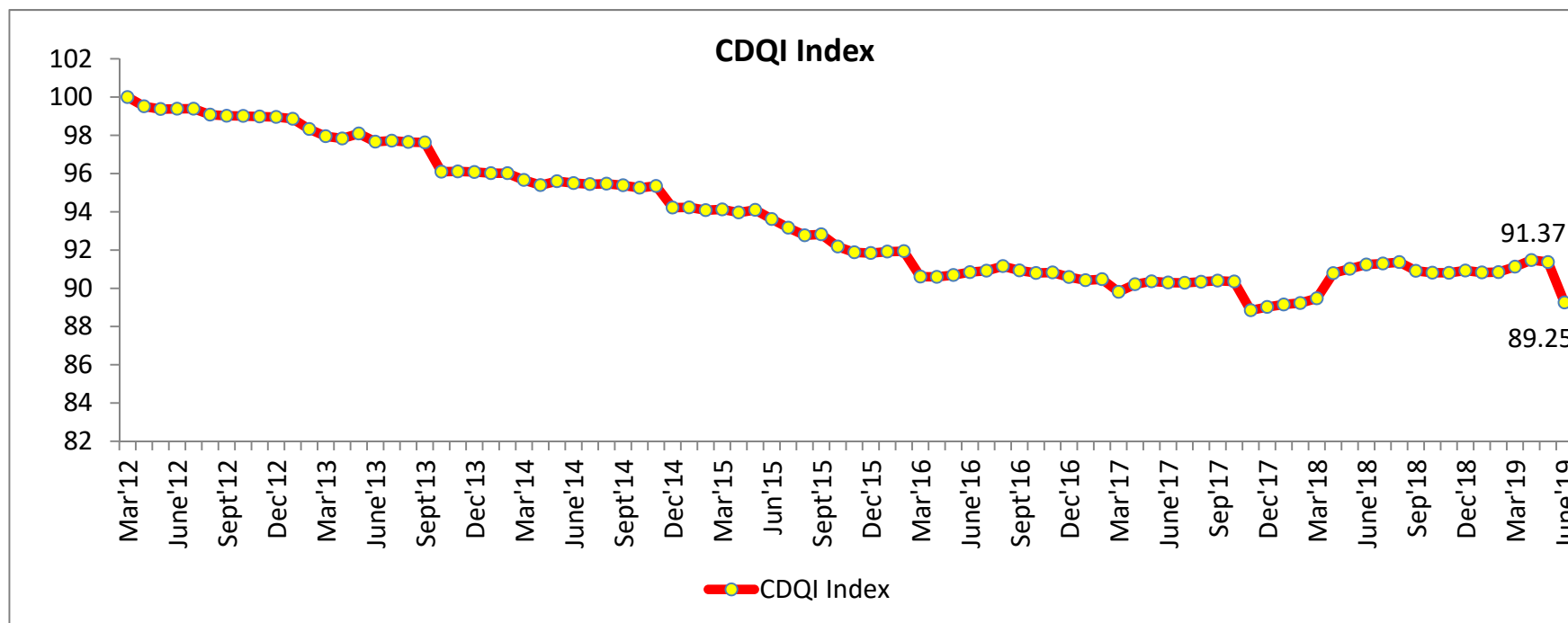
# Rating Movement

There has been a deterioration in the credit quality of entities rated by CARE Ratings in the first quarter of the ongoing financial year which attests to the prevailing slowdown in the domestic economy. The credit quality as measured by CARE Ratings 'modified credit ratio' (MCR), for Q1 2019-20 declined to a 6 year low of 0.8. The ratio in the corresponding period of 2018-19 was 1.02.

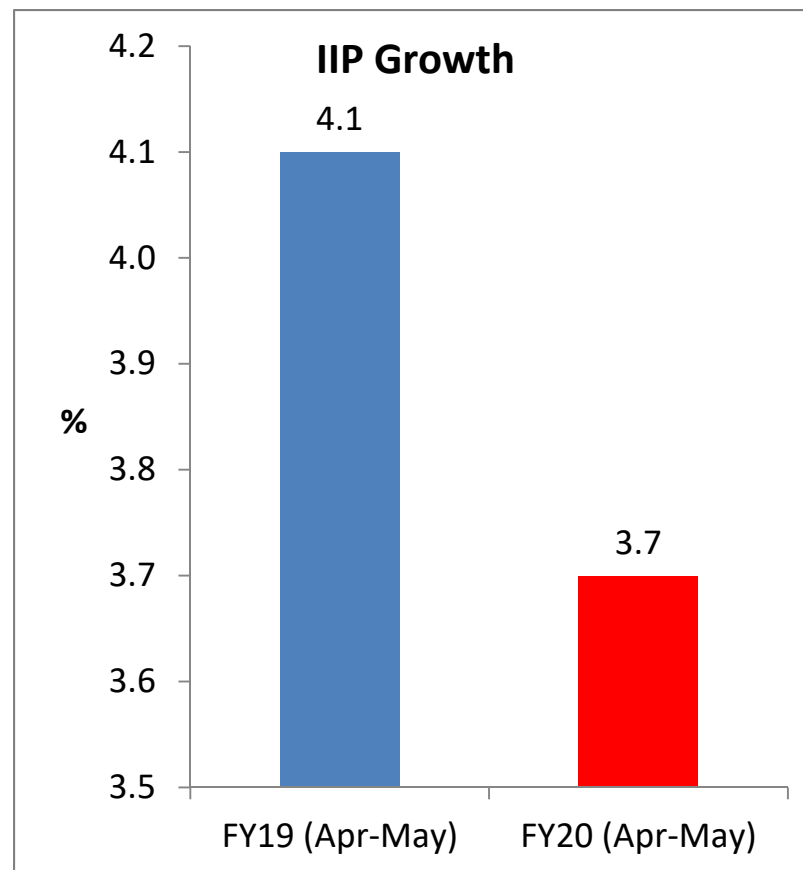
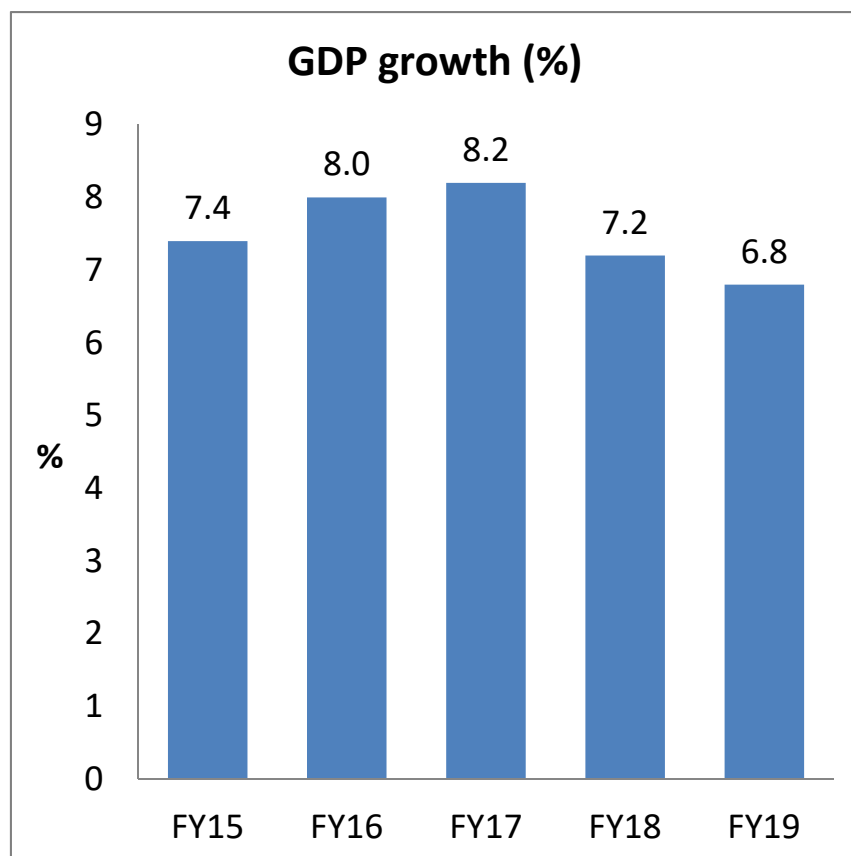


# CARE Ratings Debt Quality Index (CDQI)

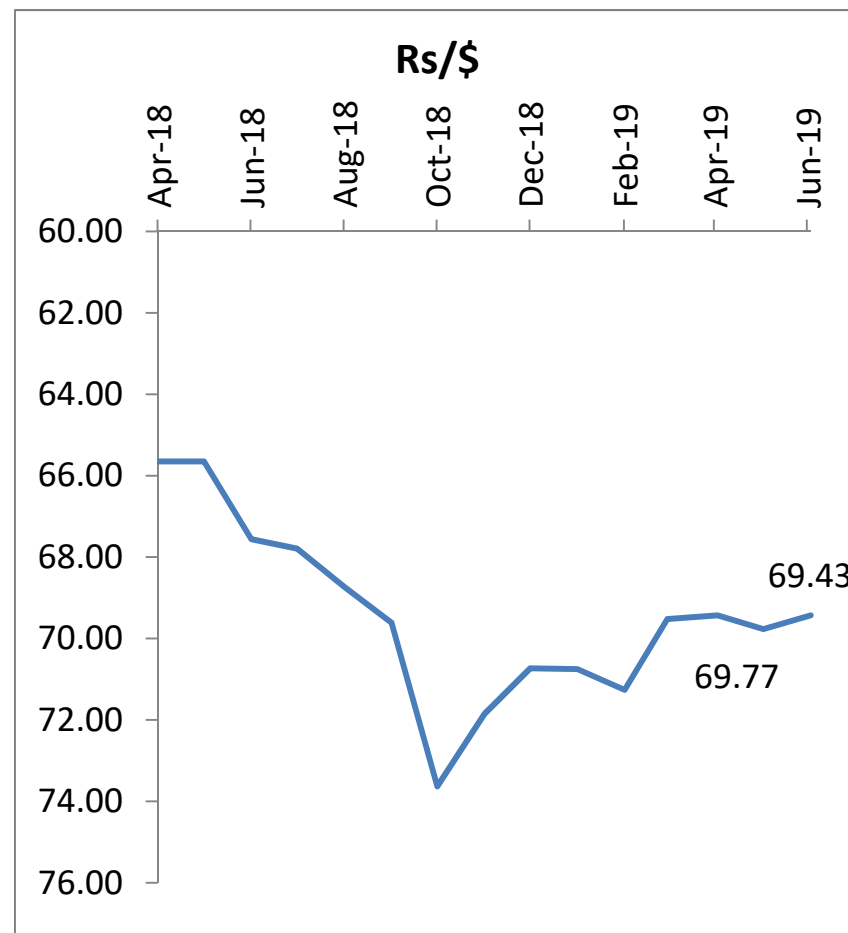
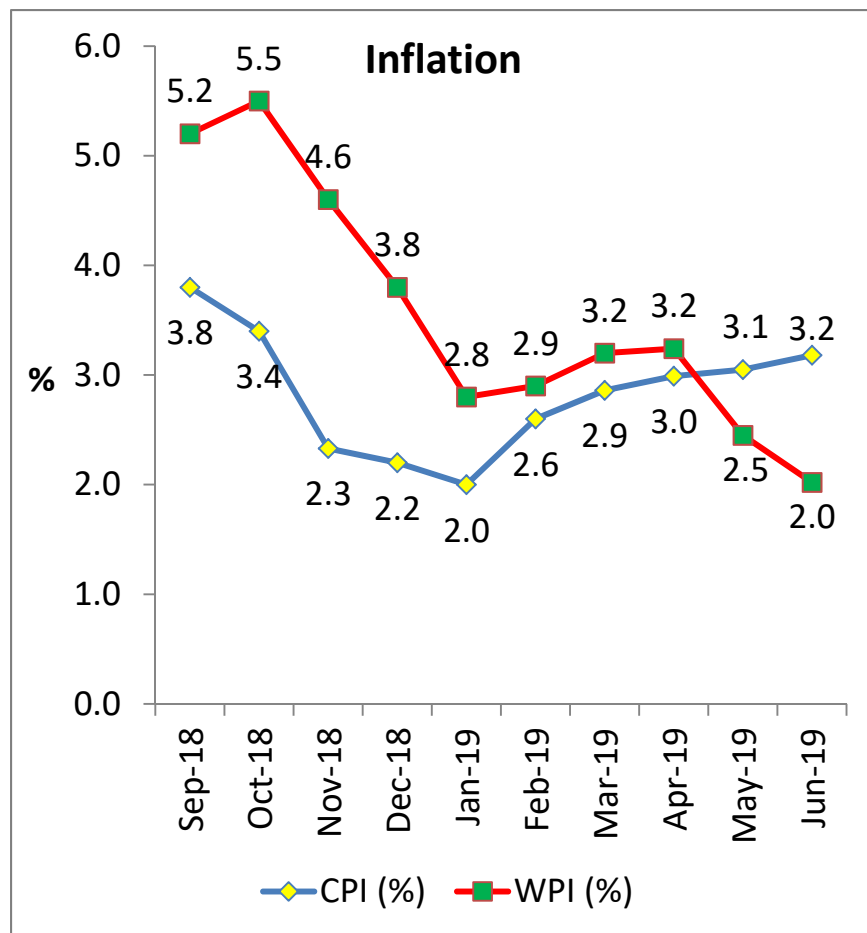
CDQI showed an improving trend during the first five months of FY19. However, it fell marginally in the months of September and October'18 and remained more or less stable in the months of November'18 –February'2019. It, thereafter, increased during Mar- Apr'19 due to debt issuances in the higher rated entities. CDQI fell sharply in June 2019 mainly due to the moderation in the liquidity scenario for NBFCs and HFCs resulting in sharp rating migration.



# Economic Backdrop

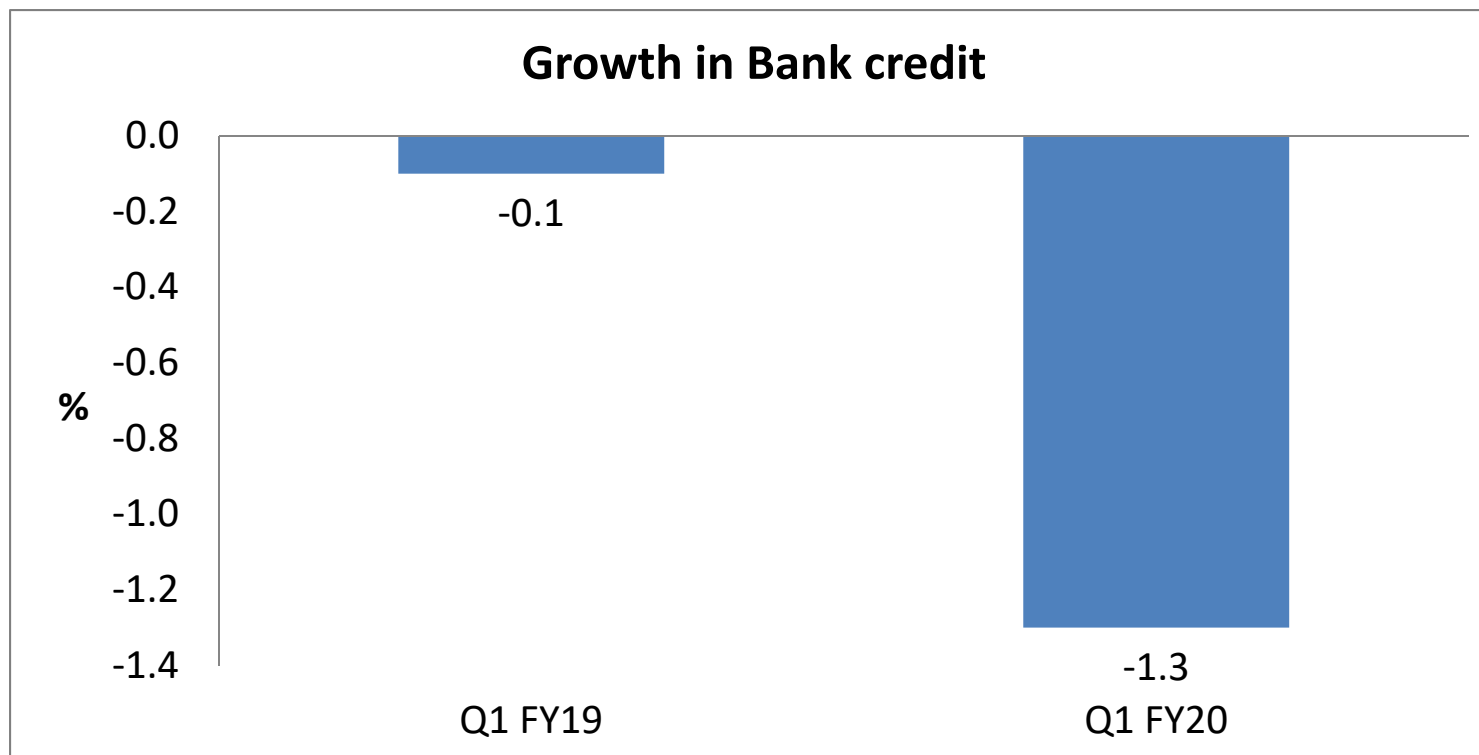


# Economic Backdrop

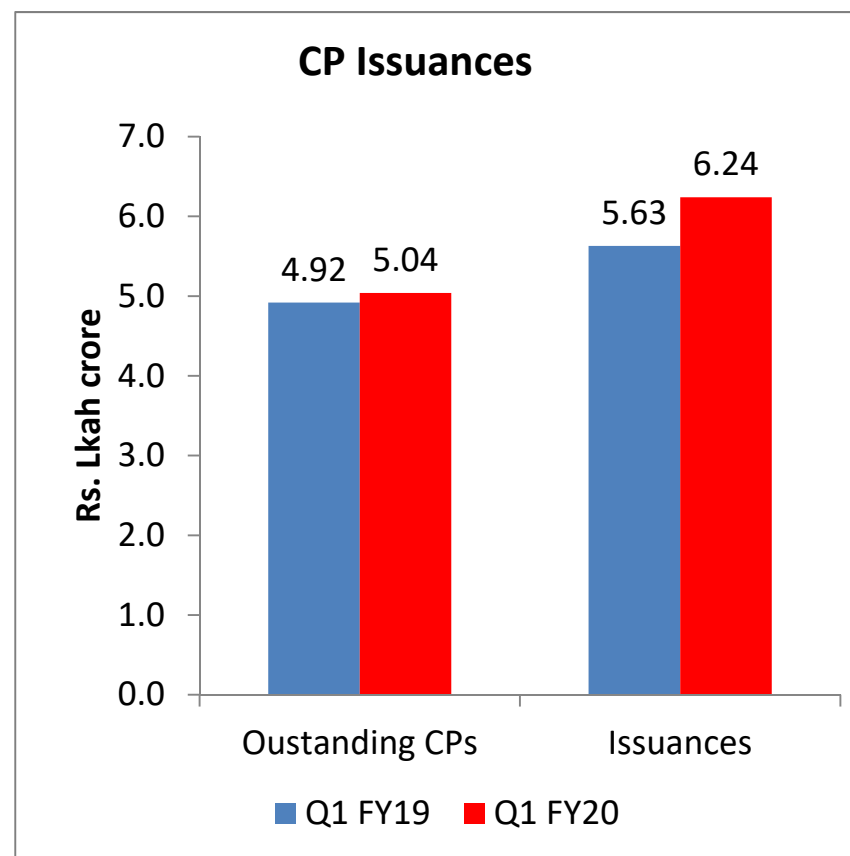
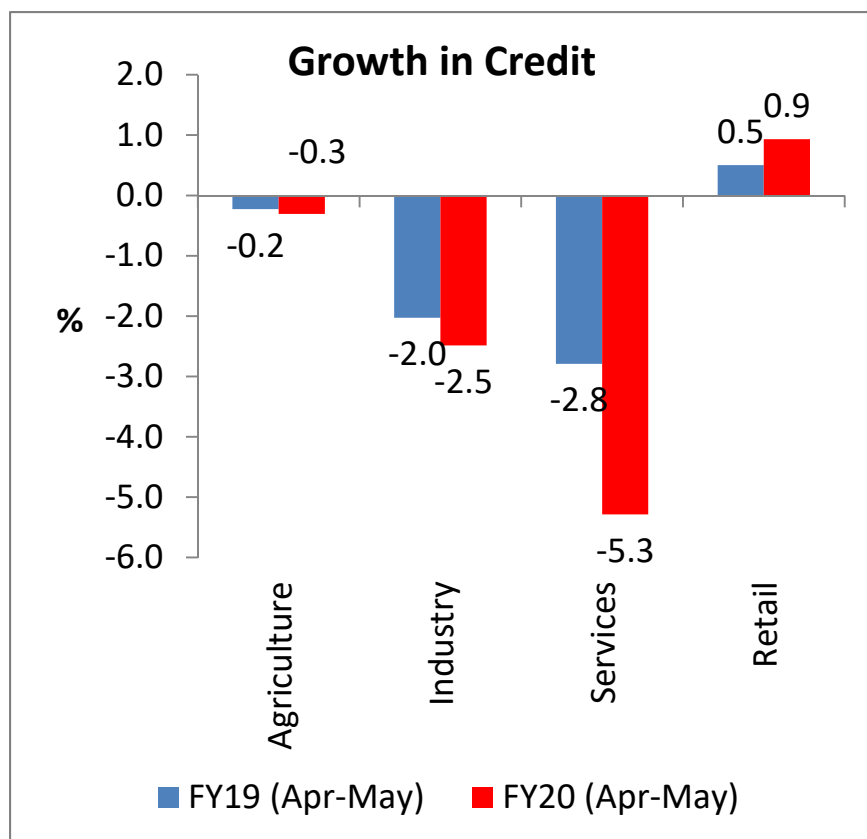


# Economic Backdrop

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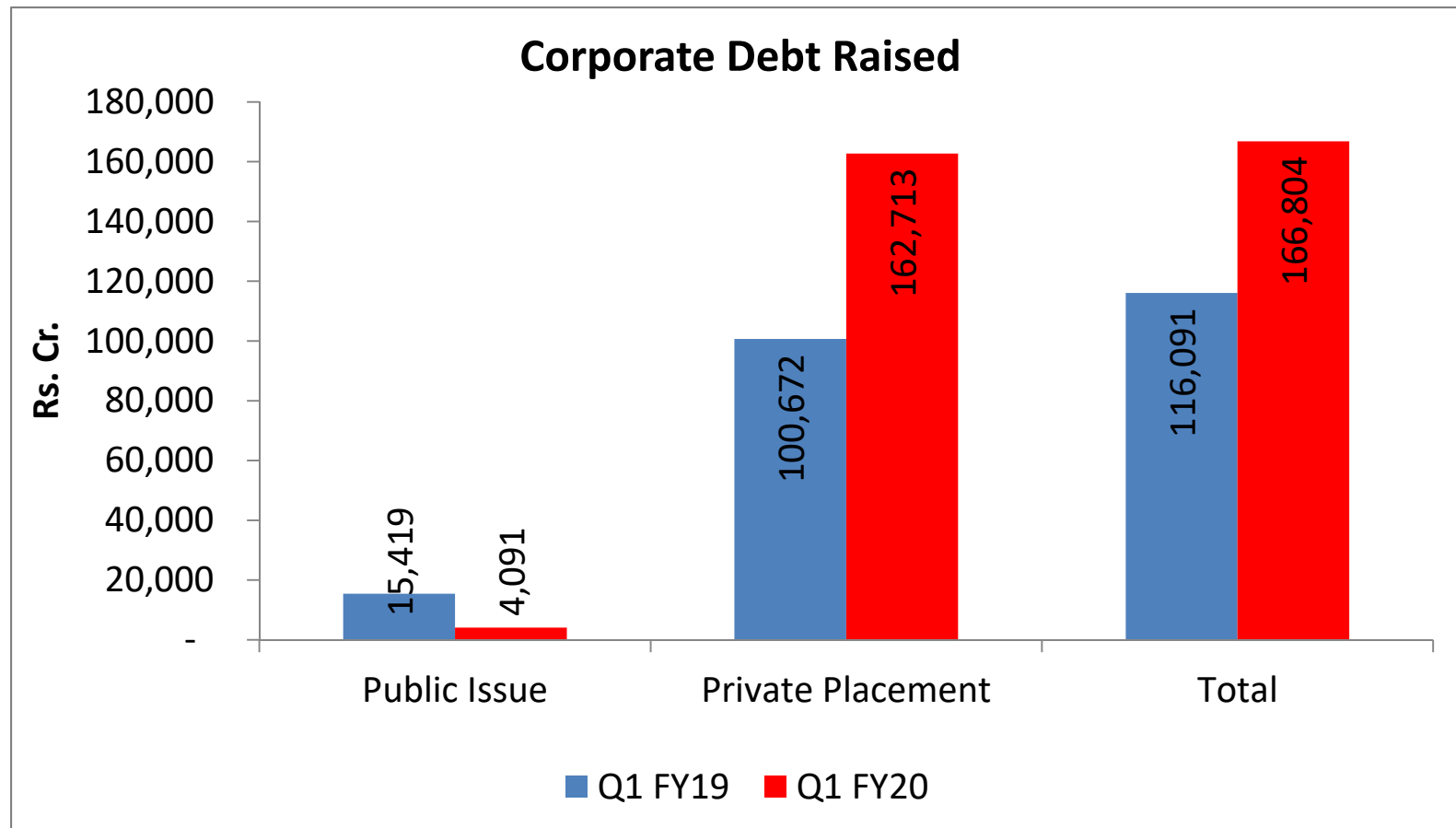


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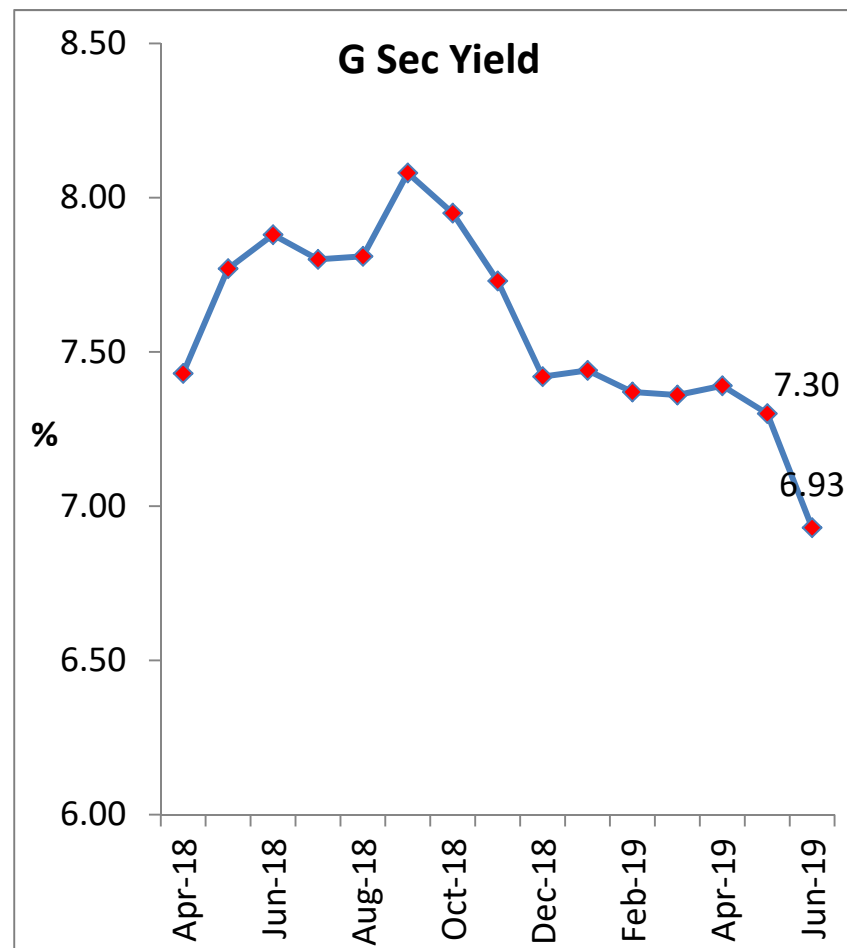
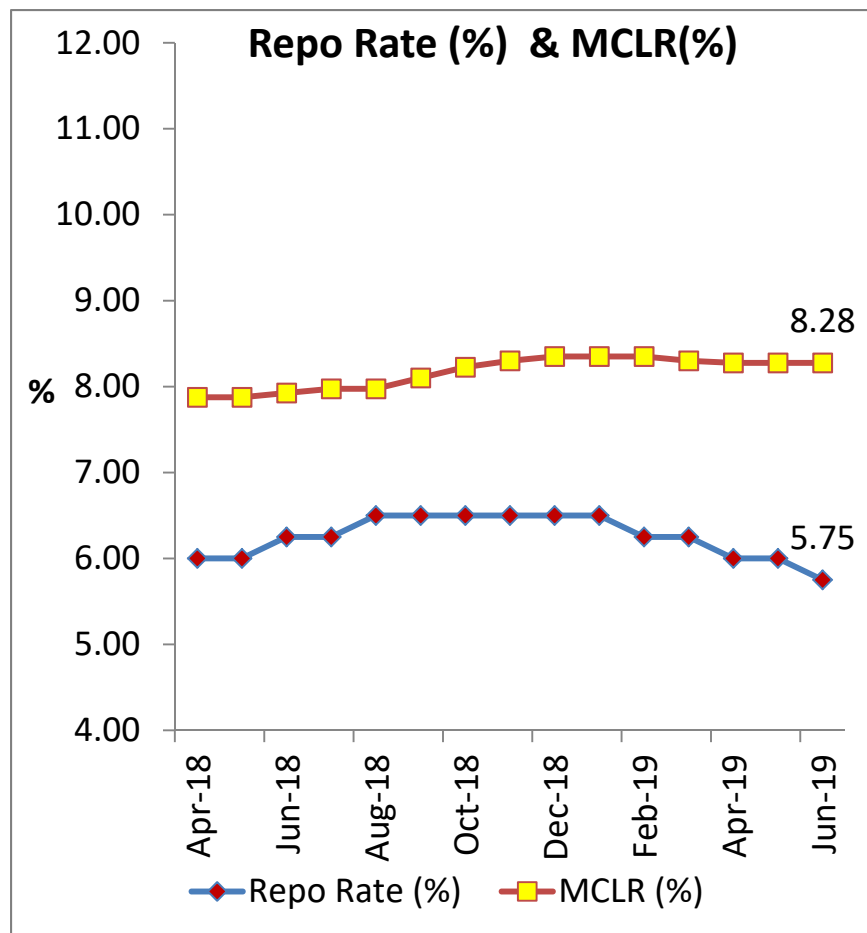




# Economic Backdrop



# Economic Backdrop



# Economic Outlook for FY20

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- GDP growth is expected to be 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% during the year assuming crude oil prices to remain in range of \$ 65/barrel
- RBI could lower the repo rate by 25-50 bps this year depending upon how inflation pans out

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# Thank You