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# First quarter is never right to judge rating agencies: Rajesh Mokashi, CARE Ratings

BY ET NOW | UPDATED: AUG 23, 2017, 12.55 PM IST

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Talking to *ET Now*, **Rajesh Mokashi**, MD, **Care Ratings**, says the fiscal of the government will start improving and that eventually will lead to a better economic recovery.

Edited excerpts:

**Highlights for Q1 and what has really led to a flattish top line growth -- about 16% PAT growth? How have the Rating revenues shaped up?**

Overall the top line has grown by around 8% and first quarter tends to be somewhat slowish because of various reasons and this year again we see that there is a very slow growth in the amount of debt volumes rated, around 3.5%. Generally, GST was around the corner, end of the first quarters, so some of these things do slow down but I believe they should pick up as we go forward.

**And will the net profit margins be sustainable because it is currently at about 52% level? Do you think this is a sustainable level and what will be the drivers for the margins?**


If you see the track record of Care Ratings, they are consistently in the same level. They will fluctuate a bit here and there based on the quarterly performance and things like that but otherwise quarterly seasonality coming in. But otherwise, they have been consistent for the last several years.



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If you look at history and I do not see there is substantial change coming in. Going forward, e-sops are being given, that will hit the P&L to some extent but that is a non-cash charge. Unless there is a substantial slowdown in business which does not seem to be the case because the GDP is expected to go slightly better this year than the previous year.

All the major macro challenges or policy changes like **demonetisation**, GST are all being implemented. We see a steady state progression going forward and the fiscal of the government will start improving and that eventually will lead to a better economic recovery.

**What kind of client additions have you seen in Q1 and market share gains as well?**

We are more or less at the same level. There is no incremental substantial change. I mean first quarter is never right to judge rating agencies performance because most of the action really happens in the second half as such.

IFRS was being implemented in our country this year and because of that many of the companies did delay publishing the accounts and because of that we cannot do the surveillance in the first quarter of some of these, that gets shifted to the second quarter. This is a

unique situation for this year.

## What are your plans to increase penetration within the SME space and how do you see revenues from this SME space shape up in next two years in FY18 to FY20?

SMEs are a very crucial ingredient in the [economy](#), being crucial employers and [wealth](#) creators, reaching more than 1.5 million SMEs and the extent of rating coverage is abysmal at this point of time. We have to figure out how we have to reach out to this mass numbers and reduce this information asymmetry faced by the banking systems on SMEs and reach this credit information on SMEs to the banking system so that they get access to funding and for that we will have to use eventually digital channels and some other mechanisms to reach out on a mass scale than what we are at this point of time.

## Recently Sebi came out with a notification saying that rating companies should downgrade any company to junk if it misses loan repayment. How do you see this ordinance impacting the credit market in India and what kind of short-term disruptions are you foreseeing for your business?

First of all, we compliment Sebi that they are really trying to taking the pains to ensure that any crucial information which affects the companies reaches the public and investors at large, including rating agencies. These kind of directives will only make sure that the information gap, time lag which is there in terms of this kind of information travelling to the public at large diminishes and almost real time information reaches public. This is a healthy initiative and of course it puts increased responsibilities on rating agencies to see to it that this kind of information is accessed in a timely manner and the rating actions are also done as fast as the information comes in which is healthy for the development of the bond [markets](#).

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