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Expect FY15 to better for FY14 for ratings biz: CARE

In an interview with CNBC-TV18's Latha Venkatesh and Ekta Batra, DR Dogra, MD and CEO, Care Ratings, discussed the firm's quarterly and full-year earnings and outlined targets for the ratings company.

Care, along with Crisil, ICRA, Fitch and India Ratings, is one of the leading ratings companies in India and provides research and ratings on securities, companies and projects, among others.

Also read: Care Ratings Q4 PAT up 16% to Rs 41 crore

Dogra said that he expects FY15 to be better than FY14 for the economy and as a consequence, "a lot of investments will start, new projects will come and the rating industry will have better times."

Below is the transcript of DR Dogra's interview on CNBC-TV18.

Latha: Can you take us through how much the company generated through rating income this quarter and how much was from other sources?

A: Our rating income went up from Rs 62 crore during Q4 FY13 to Rs 74.37 crore for Q4 FY14, a growth of around 20 percent.

In FY14, our rating income grew to Rs 226.9 crore, a growth of more than 15 percent over FY13. The total income of the company grew from Rs 71 crore during Q4 FY13 to Rs 83.55 crore during Q4 FY14 -- more than 17 percent.

During FY13 we booked around Rs 227 crore and in FY14, it increased to Rs 265 crore reflecting a growth of around 16.59 percent.

As far as bottomline is concerned, we have made a profit of Rs 41.3 crore during Q4, an increase of 16 percent over net profit done during Q4 for FY13.

The FY14 net profit was Rs 128.67 crore against profit of Rs 113.33 crore, a growth around 13.5 percent.

So despite the economy not doing that well, industrial production in the negative territory, we have been able to show better and steady performance during the quarter ended March FY14.

Latha: Do you foresee FY15 as being as robust in terms of acquiring clients or will it be even better given the changed macros? What are your targets?

A: Hopefully, the economy should start doing little better during FY15 and I am sure that we should be able to do little better than what we have done – grow at much faster rate than the industry during last few years. Even we have tried to maintain that tempo during FY14. Hopefully, we will do little better in FY15.

Latha: I was looking for some specific numbers as targets?

A: We don't give projection to the market but I wish if economy does well then a lot of investments will start, new projects will come and the rating industry will have better times.

Ekta: The company has launched international operations as well. Can you just tell us how the new business is doing and what are the plans with Mauritius?

A: We are one of the promoters of a company known as ARC Ratings; it's a Europe-based company at present and is headquartered in Lisbon. CARE from India, MARC from Malaysia, Global Credit Ratings (GCR) from South Africa, SR Ratings from Brazil and a Portuguese group known as SaeR group together own that company. All of us own 20 percent each.

This is an emerging market initiative to have our own international credit [ratings business]. We launched this company from London in January and have indentified a CEO for this company and we are shortly going to announce ratings from there.

Ekta: Coming to the stake sale, there was news that negotiations with private equity firms are back on the table. Could you comment on that?

A: The management doesn't have any say on this. The company doesn't need money and the company will not issue any shares. It is only shareholders who are trying to talk to some private-equity holders.

As a good corporate, we speak to analysts and all possible investors and whatever we can discuss on the company financials, we will discuss. This is purely between the possible investor and present shareholder of CARE.

Latha: Nevertheless, I just wanted to know if you have heard from any of the banks such as IDBI as to their latest stake sale plans?

A: I don't know this because nobody has talked to us on this but certainly they are shareholders, they put their money into this company long back in 1993. Of course, they put Rs 8 crore at that point of time and when we got listed in December 2012, the company's value was Rs 2,500 crore so it was a very good investment.

Anyone who invests, would like to cash out at some point of time. That's why the company was listed by offering equity by the shareholders through a primary market route but no money came to the company through the offer-for-sale by some of shareholders and the idea was to get the company listed so that present shareholders will have some exit option and some of the shareholders have already sold it.

So, though there is no talk of any shareholders selling, shareholders will be free to sell and the management will not have any role into this.

Latha: Will you be comfortable with being maybe entirely managed by a private equity firm if these stake sales fructify?

A: I don't think management has any view on this. We have been working very well with the present kind of shareholders. After listing this company's shareholding is owned by foreign institutional investors (FII) to the extent of around 13-14 percent which keeps on changing and I don't think there is any change in the management aggression or management performance even if FIIs have owned a substantial stake in the company.