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Higher other income led to sharp rise in PAT: Rajesh Mokashi, CARE Ratings

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ET Now: Now first up, there has been a huge growth on your bottom line a profit growth of over 65%, how have your revenue or rather have your rating revenues shaped up?

Rajesh Mokashi: I think you mentioned that the operating revenues have grown up 7.8% for the nine months period whereas the other income from investment is one of the higher things which causing the profits to go substantially higher but operating income has grown by around 8%, nine months period. And the other numbers have moved up correspondingly.

ET Now: But I wanted to look closely at your quarter three numbers and the kind of growth that you have seen on year-on-year basis, your total income is up about 4.8% but profits have grown to Rs 45 versus Rs 27 crore, what I want to understand is what led to that and is this number-- can you repeat these kind of numbers?

Rajesh Mokashi: The real reason is that we carry a roughly around 400 crore of investments in our books and some of them have been FMPs, fixed maturity plans which have matured in that particular quarter and that is the reason why this particular quarter the bottom line has suddenly shot up. But if you look at the operating income it is more or less in line with the top line which is there, however of course our expenses have slightly reduced as the ESOP charge is not there which was there corresponding for the previous quarter and that is why the operating profits have grown slightly better but otherwise it is the other income which is causing that net profit to jump substantially which is as a result of the booking of FMP income which have matured as such.

ET Now: So this is just essentially a one off entry that has actually aided your profits, is that right?

Rajesh Mokashi: Yes that is of course the re-accounting treatment is given otherwise if you are doing a accrual kind of accounting this would not have appeared in a particular quarter it would have been throughout the year as such. It is an income per se but how it is recognised is important.

ET Now: We have seen a significant increase in debt and bond financing for corporates recently, what incremental demand do you see from this for CARE and what is the overall growth size of the industry?

Rajesh Mokashi: I think the macro has been going through a very interesting phase with the demonetisation coming in, a bit of slowdown, you know add to it the higher level of NPLs in the banking system but generally the interest rates were on their path downwards and the demonetisation has also further added a fillip to the reduction of interest as such. And going forward, I mean, the banking challenge remains as such but the bond markets are looking much more attractive. We have seen a substantial jump in the bond raising for the nine months period by around 40% rise in the amount raised in the bond markets. Our own rated volume has grown up around 28% substantially driven by again long term and bond market activity rather than bank loans as such and I see that the falling interest rate scenario really would be helpful for companies to refinance some of their bank loans using the bond market route at a much more lower price. That definitely looks attractive.

Add to it, things like the compulsory rating requirement for unrated instruments by June of this year which is a RBI requirement that entities which have no ratings in place will carry a 150% risk weight if their exposure is more than 200 crore. All this augurs well for even some pickup in the bond market-- bank loan rating as such. And another guideline which the RBI has recently issued which is the draft guideline which talks about two ratings for commercial paper issuances, the ticket size is lower and some more flexibility given to issuers and entities as such, that also augurs well for the short term instrument like CPs and multiple rating requirements. So generally I think things are settling down after demonetisation as such, of course the GST will be a bit of an structural transformation again which we have to wait and watch how it sort of pans out going forward.

ET Now: And you recently signed that MOU pact with Japan credit rating agency to act as a strategic business partner, can you just tell us what is the development and what is revenue and profit contribution from this MOU?

Rajesh Mokashi: I think it is very early stages for our MOU with Japan credit rating. Basically it is an MOU to help each other in terms of business possibilities. There could be Indian issuers who may approach Samurai bond market with even masala bond issues, the Japanese interest rates are pretty attractive and this opens a completely new window for Indian foreign currency borrowers or masala bond borrowers in terms of interest rates and institutional investors in Japan as such. So, early stage but we are looking forward to that.