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Kalpyto's performance will surprise market this year: CARE

[CARE Ratings](#) has posted a decent set of numbers in its fourth quarter ended March. Discussing the details, its MD & CEO DR Dogra said the rating revenue for FY15 was higher than industry. However, the SME ratings segment has seen muted growth as government subsidy was removed, he said.

CARE's Kalypto -- a specialised risk management solutions company addressing the area of enterprise risk management for the banking vertical—has posted loss of Rs 2 crore in FY15.

Dogra believes Kalpyto's performance this year will surprise the market.

Operating profits grew 14 percent in FY15 and Dogra expects to maintain that rate in FY16 as investment cycle starts.

Below is the transcript of DR Dogra's interview with CNBC-TV18's Reema Tendulkar and Sumaira Abidi

Reema: Although your revenues have gone up by 25 percent on a quarter-on-quarter (QoQ) basis on the year-on-year (YoY) the topline growth for Q4 continued to be muted at three percent. What was the reason for that?

A: The better way to look at our business is because our accounting policy says that 60 percent of the surveillance fees which is one of the major sources of income of any rating agencies at least we as one rating agency book 60 percent of the surveillance fees only after surveillance is completed. So, in my case if you are to look performance of the company you have to look year-to-date (YTD) basis because surveillance if it is done on December 31 my December quarter will look good and my January, February, March quarter will not look that good. So you have to look us at YTD and financial year 15 in comparison to financial year 14 should be the right way to compare our performance and there you see that our rating revenue has gone up from Rs 226 crore odd to Rs 254 crore or Rs 255 crore exactly a growth of more than 12 percent which shows we have done much better than the industry. In the last four quarters the industry has not even grown 3-4 percent actually.

Sumaira: But what about your SME ratings? They have contributed under nine percent this time to the total revenues. So any particular reason for this muted performance?

A: This business basically was covered by two rating agencies out of the six which have the license to do such ratings and last year all of us have become active because we work on SME model in a way which is much different than the industry practises the way they do it. We do our due diligence work in house. So, that is a very hard way of doing ratings because SME rating you require big infrastructure to be in. The SMEs not in Bombay, Delhi, Calcutta, Ahmedabad across six to seven centres that we operate. They are in the small towns of the country and you have to reach them and if you do this work in house reaching those places is a big problem but the one to one and half year we have taken steps to make our reach available at around seventy to eighty locations and then we have started doing this work last year because infrastructure was already in place.

So, like us even other rating agency who were not in SME rating they had. So all of us and even subsidy available to SME through NSIC was also reduced last year and that was exhausted some year in September-October itself. So that was the one big reason that no subsidies was available in most of the second part of the half year the SME business has not picked up to the extent we would have liked it to. But despite this SME thing as I told you during the year we have grown 12 percent which is three to four times the growth which other players in the industry has achieved which volumes of our performance.

Reema: You exercise the option to acquire an additional 25 percent stake in Kalypto and make it a 100 percent subsidiary of the company but they continue to make losses. What is the outlook for Kalypto next year?

A: They have posted losses around Rs 2 crore but that is not only in the IT. We have also housed our advisory work in that company, a part of the losses belong to the advisory divisions. The company has been off late doing quite well, they are market leader in Sri Lanka and they have very good order book now. This year we might surprise the markets because we have some large orders which we already got there, we need to implement that, we need around nine to ten months period to implement that. We should have much better time in Kalypto as well.

Sumaira: So can we infer then that Kalypto will be profitable in FY16?

A: We don't give any future looking statements but that company has orders and if we implement them we will do much better numbers in the year to come.

Reema: Finally could you walk us through your outlook for FY16?

A: Though we don't have any guidance to give for the future but certainly we are on the right path. In fact six percent we should look at like to like comparison because there are exonerary expenses on ESOP additional depreciation, CSR and all that this year as compared to last year. So like to like comparison we would have done around 14 percent increase in the

operating profit on like to like basis if you set out for all those additional expenses from both the years. Our operating profit would have been Rs 165 crore against Rs 145 crore last year which is growth around one percent and even net profit would have been 13 percent higher if these exonary expenses were not there both the years. We should be maintaining the tempo because if investment cycles opens up interest rates are going to go down, if the demand scenario picks up investment cycle will start and if that happens we will be the right beneficiary because in the larger infrastructure space we are the clear market leaders.