



Celebrating Two Decades of Analytical Excellence

Certain statements in this document may be forward-looking statements. Such forward-looking statements are subject to certain risks and uncertainties like government actions, economic developments, and many other factors that could cause the Company's actual results to differ materially from those contemplated by the relevant forward-looking statements. Credit Analysis and Research Ltd. will not be in any way responsible for any action taken based on such statements and undertakes no obligation to publicly update these forward-looking statements to reflect subsequent events or circumstances.

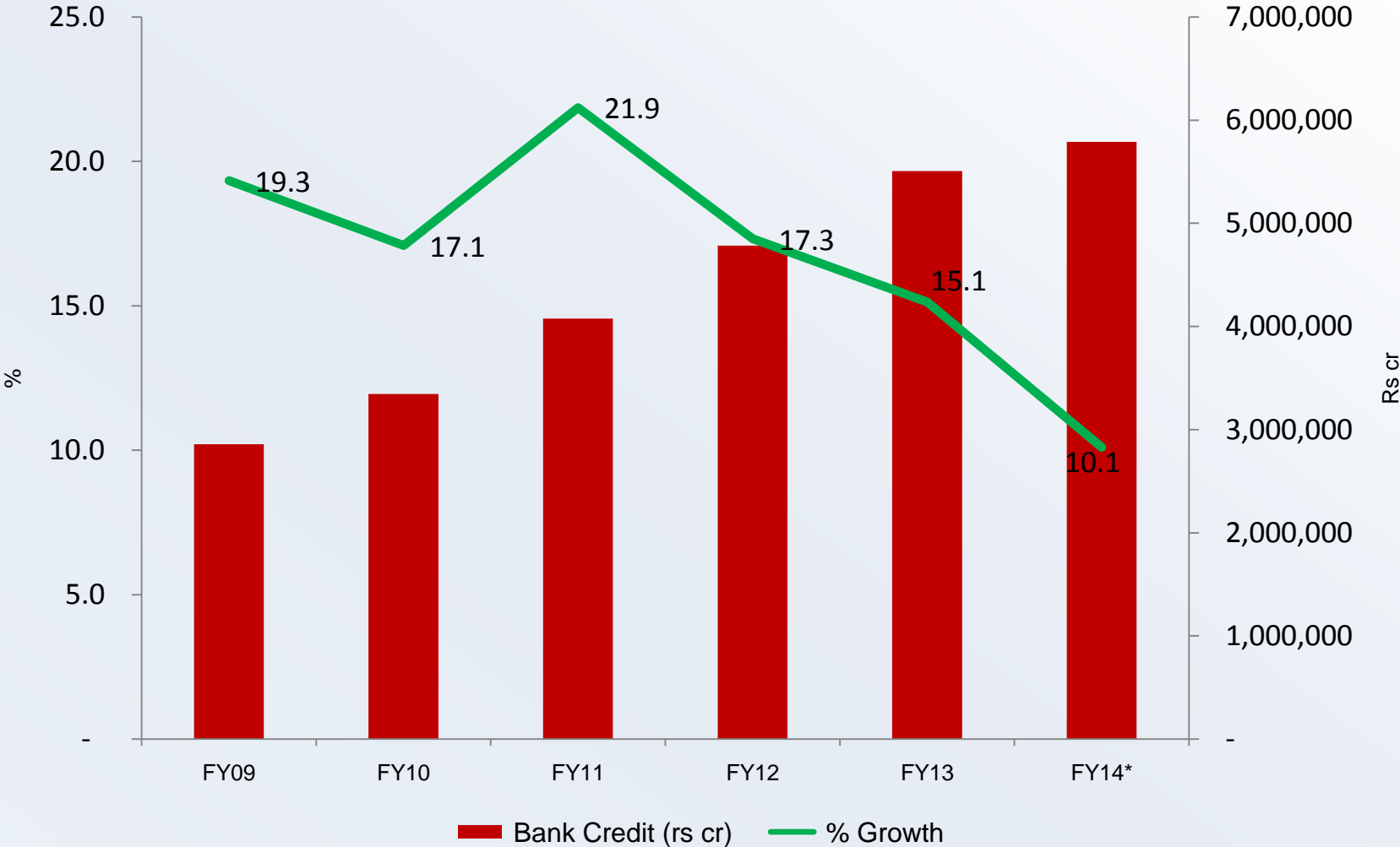
Credit Industry: Opportunities & Challenges

D.R Dogra

MD & CEO, CARE Ratings

State of markets

Bank Credit – Growth has slowed down



Source: RBI, FY14 (April - 10th Jan), FY13 (April – 10th Jan) growth at 9.3%

Sectoral distribution of Credit

% Growth	Dec-13 (Rs cr)	Apr-Dec 2012	Apr-Dec 2013
Gross Bank Credit	54,15,700	8.2	9.1
Agriculture	6,35,100	4.2	7.7
Industry	24,11,700	9.1	8.1
Micro & Small	3,25,200	9.6	14.4
Medium	1,25,900	6.5	0.9
Large	19,60,700	9.3	7.7
Services	12,62,800	5.2	9.6
Personal Loans	9,99,000	10.2	11.3

Source: RBI

Capital
Adequacy

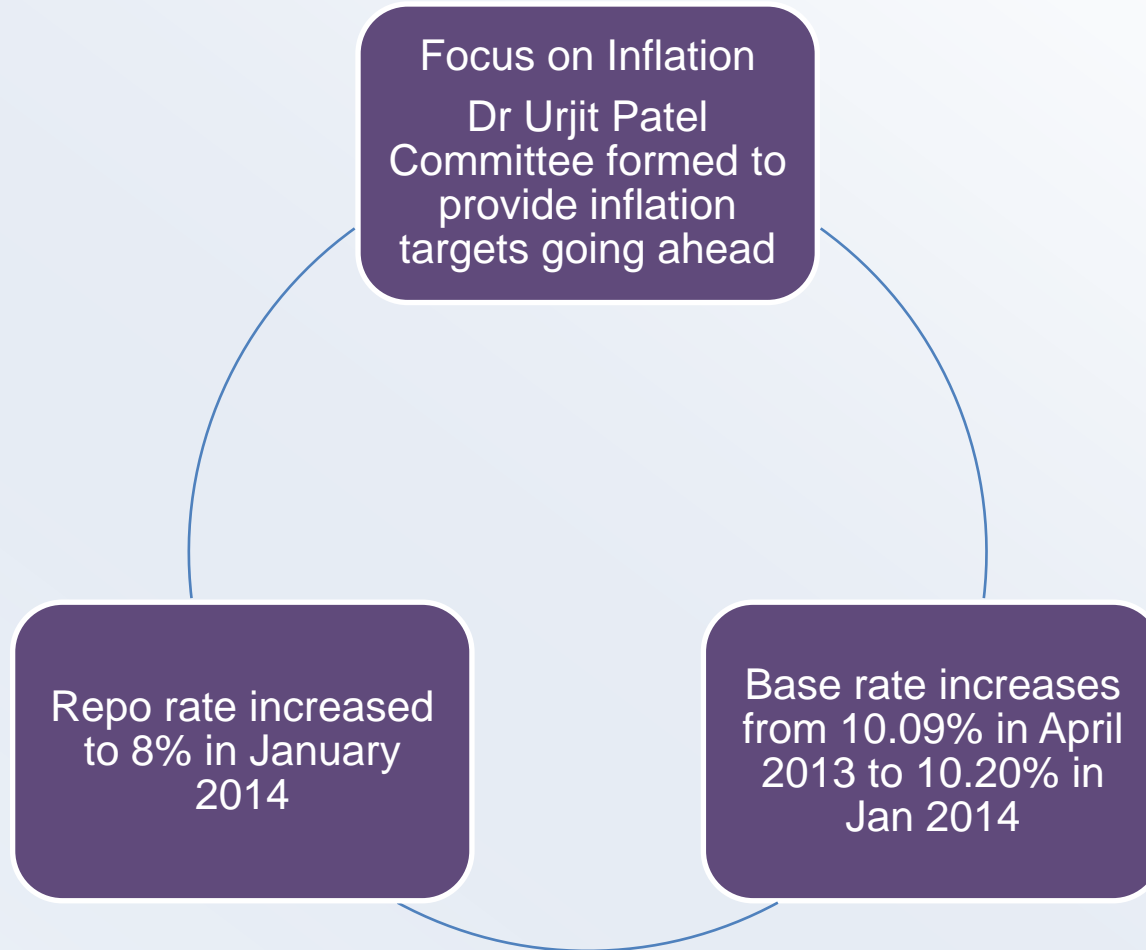
Asset Quality

Corporate
Debt
Restructuring

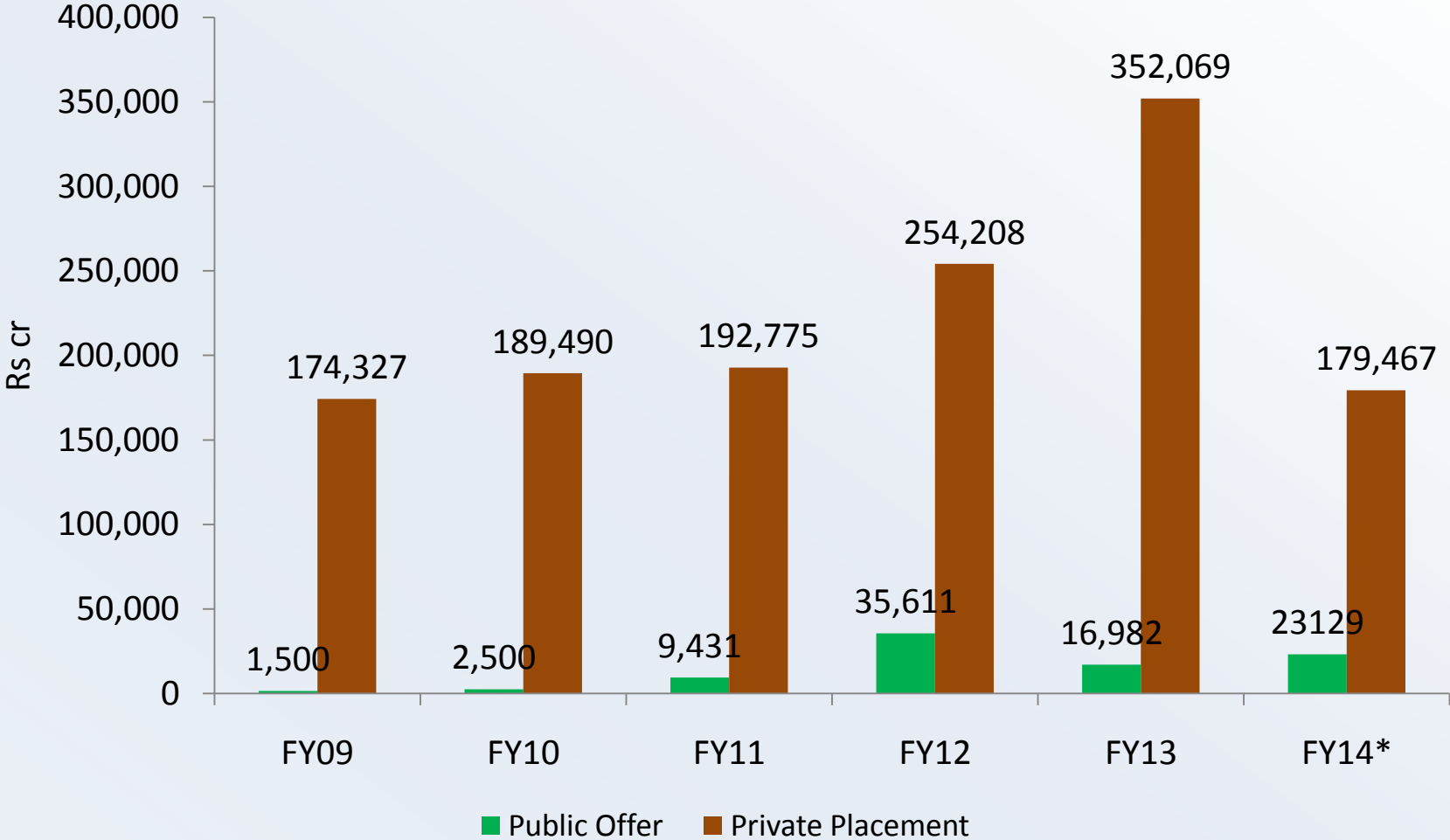
Monetary
Policy
Framework

New Banking
License

Inclusive
Banking

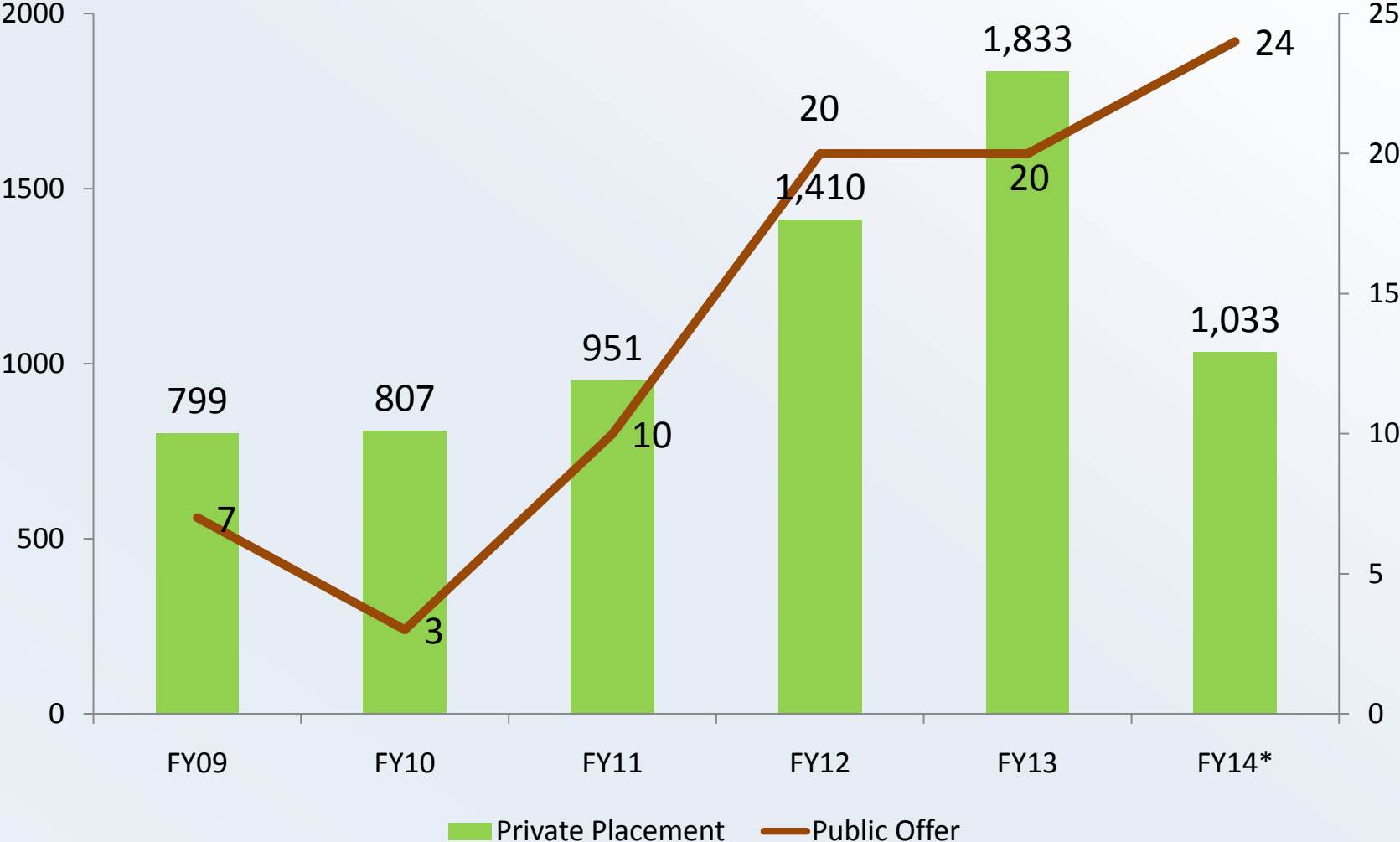


Debt market – Resources raised



Source: Prime database. * data up to Jan 2014

Debt Market - No of issuances



Issues faced by the bond markets

- Lack of liquidity and depth
- Limited players in the market
- Higher preference for public debt
- Need for wide array of instruments and products
- Lack of market infrastructure
- Ease of transacting
- Market making

What needs to be done to revive debt markets?

- Need for more players in the market
- Secondary market to be more buoyant
- Need to promote administrative ease
- Encourage Market Development
- Need to reconsider the system of bank lending
- Establishing the regulatory framework
- CRAs to play wider role
- Provision of credit enhancement –especially infra funds
- IRFs re-launched

Future prospects

Plan

Source – wise investment	Total Twelfth Plan (Rs cr)
Centre	16,01,061
Central Budget	6,53,978
Internal Generation	4,24,713
Borrowing	5,22,370
States	12,89,762
States Budget	7,30,569
Internal Generation	1,64,472
Borrowings	3,94,722
Private	26,83,840
Internal accruals/ Equity	8,25,291
Borrowings	18,58,549
Total projected investment	55,74,663
Non – debt	27,99,022
Debt	27,75,641

Source: Planning Commission

Infrastructure Financing plan

- Total investment in the infrastructure sector is estimated at Rs.55.7 lakh crore.
- Total public sector investment in infrastructure in the Twelfth Plan is projected at Rs 16.0 lkh crore by the Centre and Rs 12.90 lkh crore by the States.
- Required private sector investments inclusive of PPP projects during the plan - 48.1% of the required investments compared to 36.6% in 11th FYP.

Debt Market

- Severely underpenetrated, below 5% to GDP
- To benefit from increased penetration by pension funds and insurance companies
- Multiple initiatives by Government of India to develop bond market
- Performance will depend on
 - Growth in infrastructure
 - How much of the investment in projects cleared by government fructify
- No policy action may be expected on this front until the General Elections

Bank Loans

- Credit has witnessed a pickup which will provide positive support for bank loan ratings.
 - Slowdown however, in growth to industry. Services and retail performing relatively better
- Ratings coverage of Bank Loans expected to continue growing
- Credit policy growth target of 15% likely to be realized in FY14
- BLR business to be positively affected with a lag
- Movement in asset quality to impact bank lending operations
- New banks entering market will provide opportunities for growth

MSME segment, the future of growth to be supported

MSME

- Would continue to be the main focus of credit rating agencies
- Given low level of penetration, scope for growth is high
- Of the 1.5 million functional SME units less than 80,000 have been rated
- “Performance & Credit Rating Scheme” for MSEs, implemented by NSIC, expected to drive ratings
- Good rating enhances the acceptability of the rated unit in the market and also enables it to access cheaper credit, faster
- Ratings to help them procure credit at a time when rates are particularly high for them

CARE and role of credit rating

Unbiased and
independent
view

Bridges
information
asymmetry

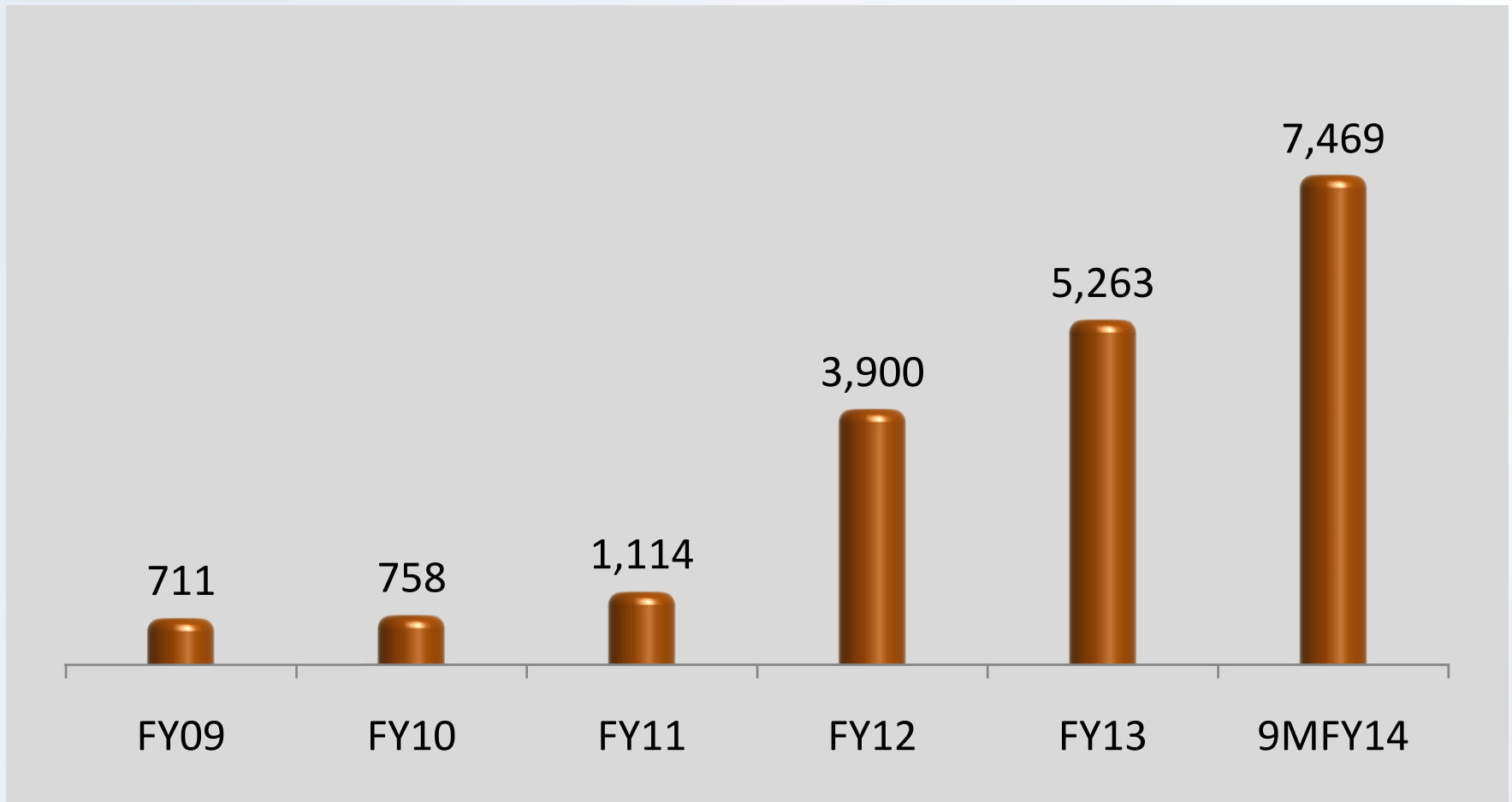
Timely
warnings
through
surveillance

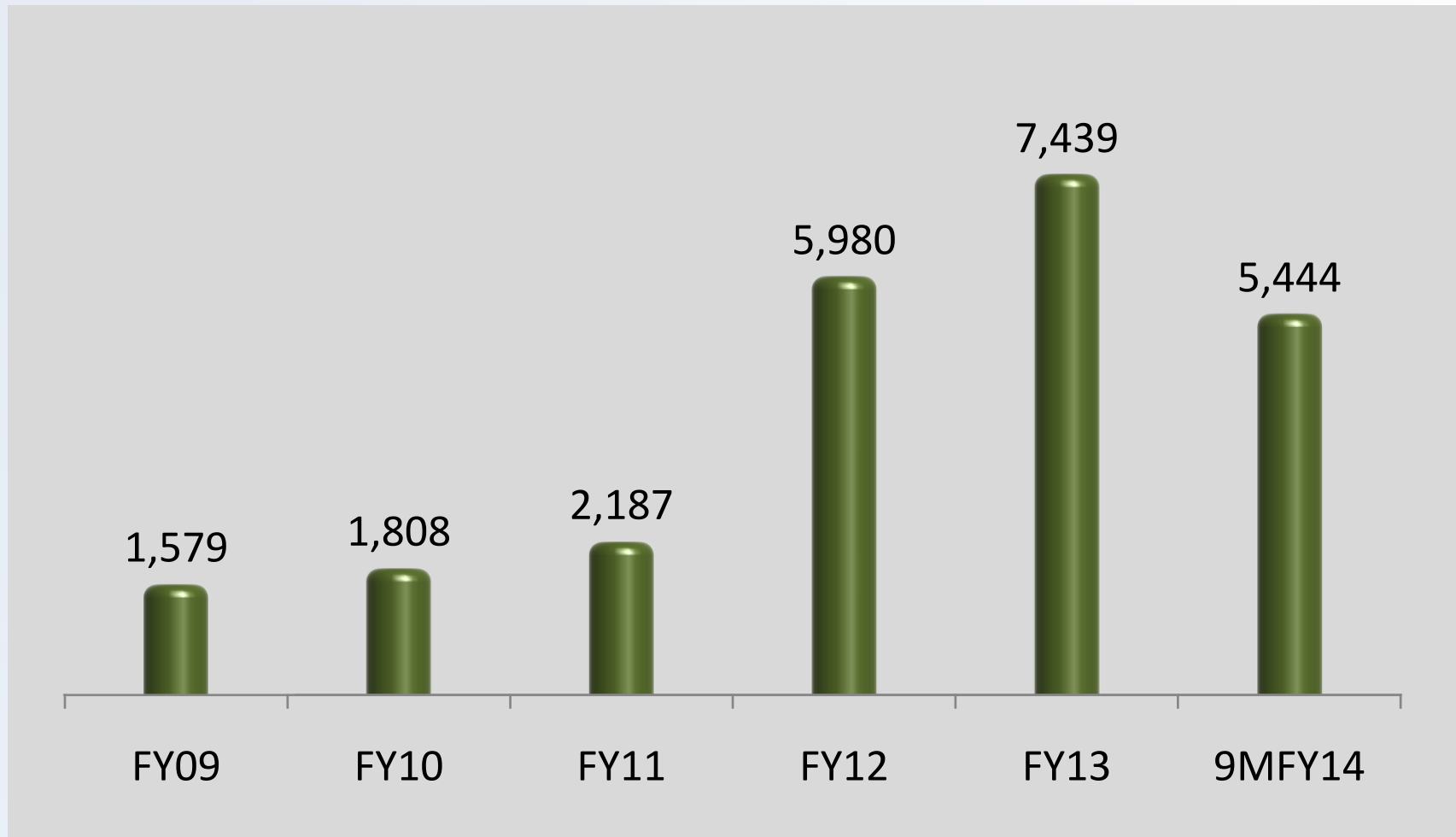
Enabling SMEs
to obtain credit

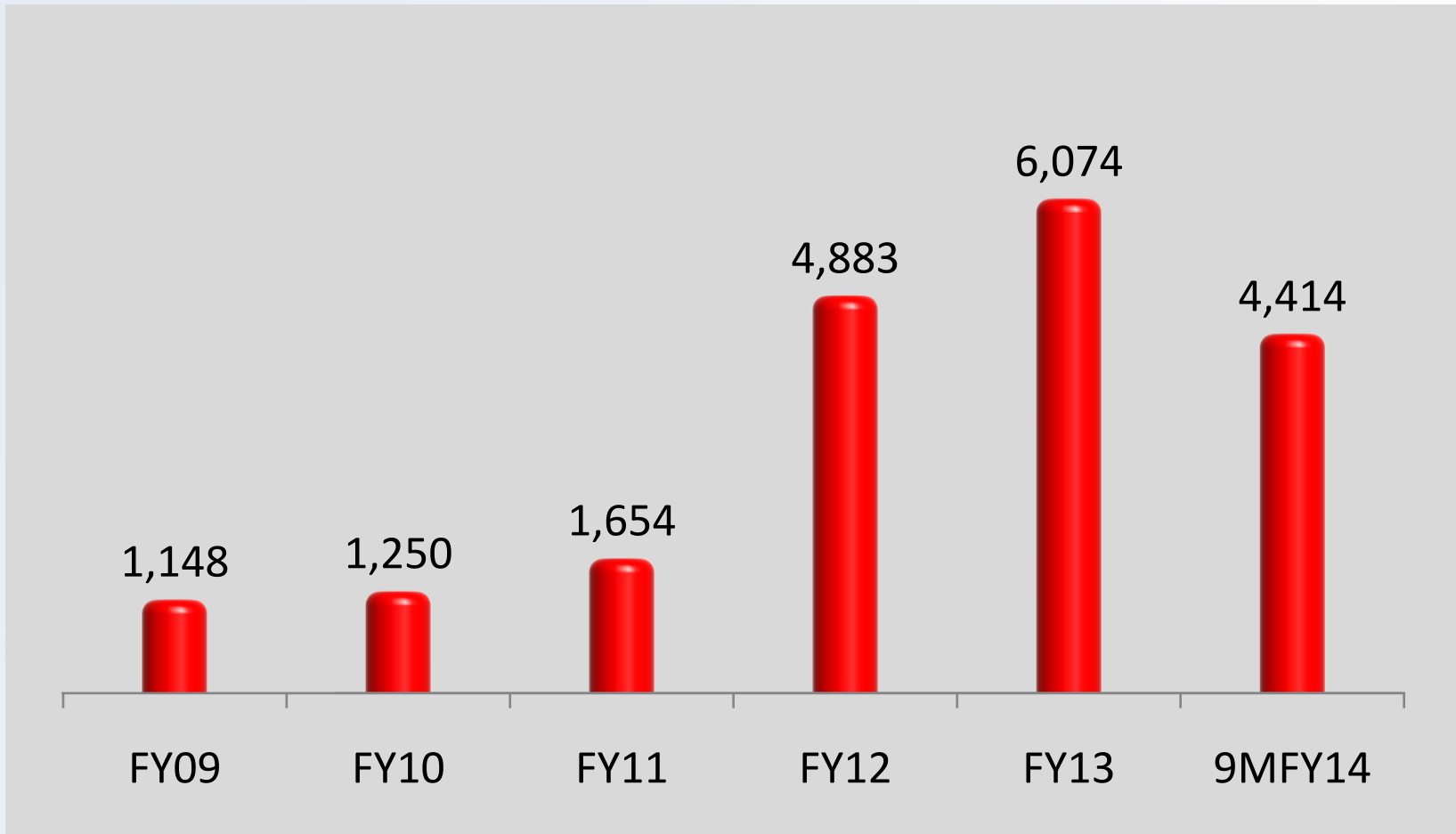
- Strong brand recognition in the ratings market, gained through 20 years of experience in the ratings business
- Received recognition and accreditation from various regulatory bodies and entities
- Sponsors industry events & participate in seminars
- Domain experience across a range of sectors
- Graded the largest number of IPOs since the introduction of IPO grading in India
- Ratings for state enterprises provided for maximum number of states in terms of implicit state ratings

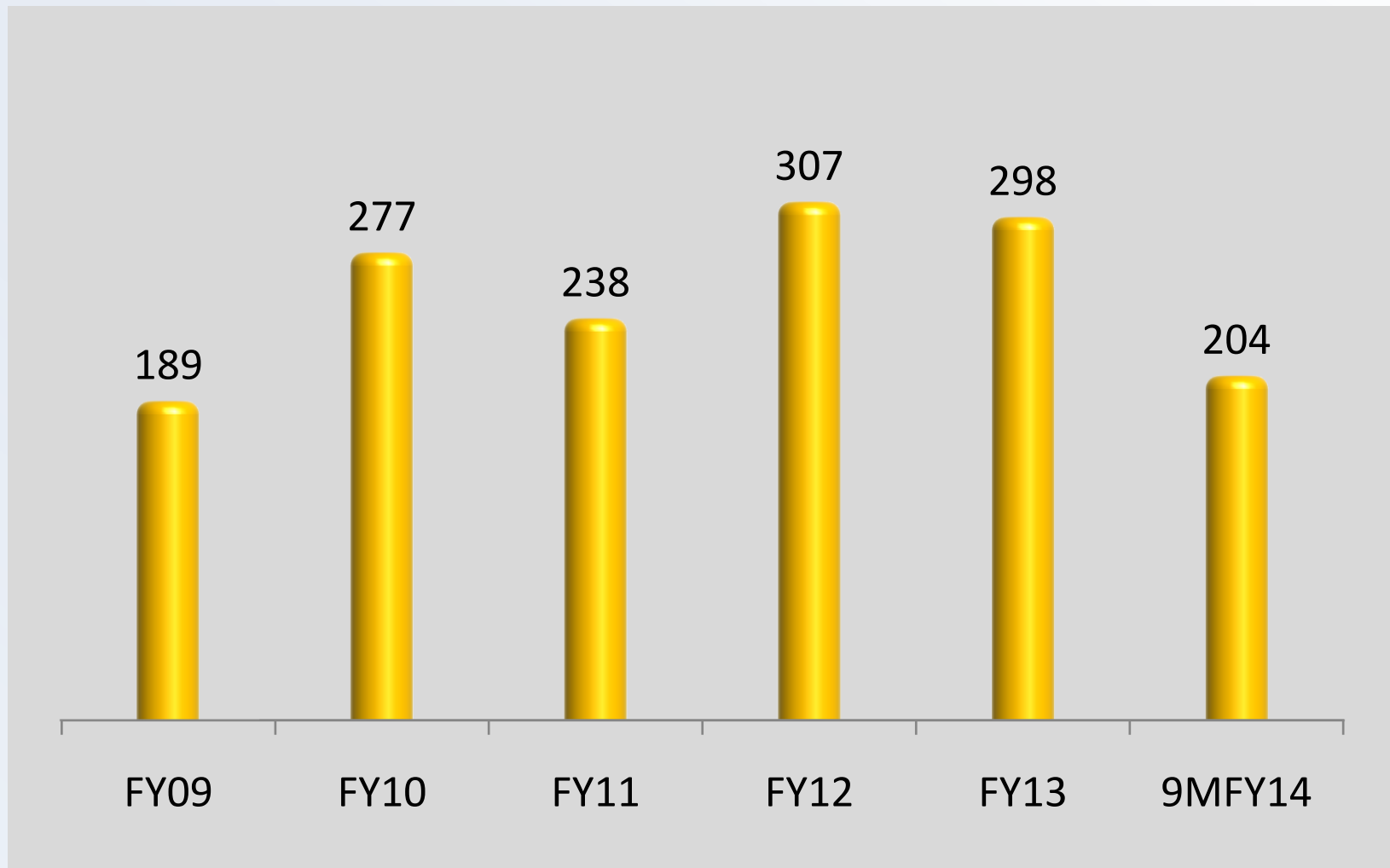
CARE Ratings

Ratings					Grading	Research
Corporate	Financial Sector	Public Finance	MSME	Infrastructure Sector		
<ul style="list-style-type: none"> ▪ Debt ▪ Bank loan ▪ Issuer ▪ Corporate governance 	<ul style="list-style-type: none"> ▪ Banks ▪ NBFCs ▪ Housing finance ▪ Insurance ▪ Mutual funds ▪ Securitization programmes 	<ul style="list-style-type: none"> ▪ Sub-sovereign entities ▪ ULBs 	<ul style="list-style-type: none"> ▪ NSIC – SSI rating ▪ SME rating 	<ul style="list-style-type: none"> ▪ Power ▪ Roads ▪ Ports ▪ IDF 	<ul style="list-style-type: none"> ▪ IPO ▪ Shipyard ▪ ESCO ▪ Educational institutions ▪ Maritime training institutes ▪ RESCO ▪ Construction companies ▪ Real estate star ▪ Equigrade ▪ SME fundamental ▪ Renewable Energy Companies/Projects 	<ul style="list-style-type: none"> ▪ Covering 49 sectors ▪ Customized research ▪ CARE industry risk metrics (150 sectors) ▪ Research reports by economic research team on domestic economy & global economic events ▪ Valuation of Market Linked Debentures (“MLDs”), ▪ Monthly PP-MLD report



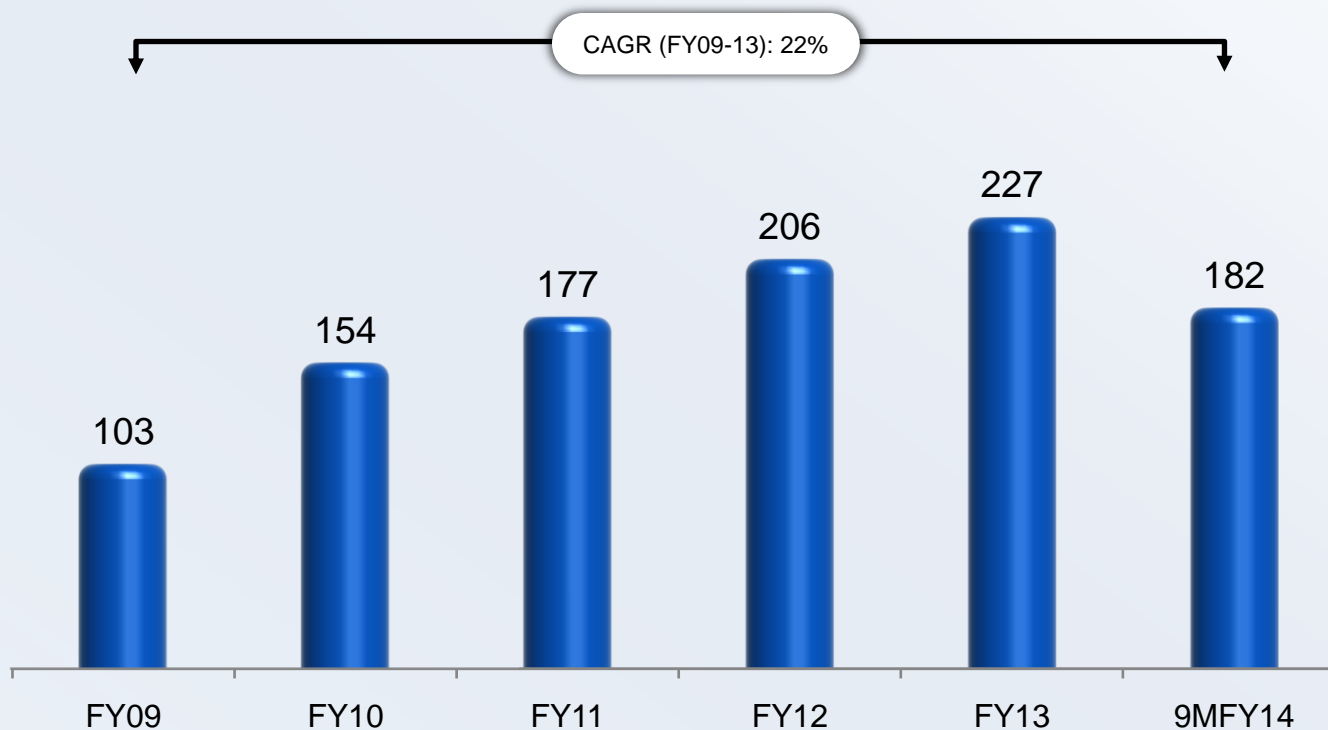






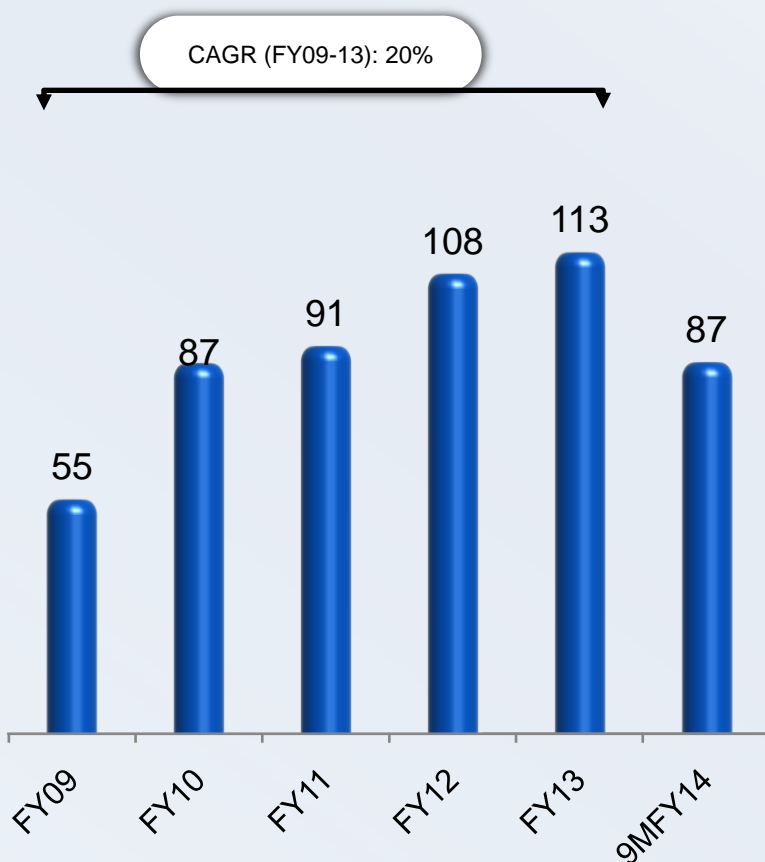
Strong Financial Position – Total Income

(Rs cr)

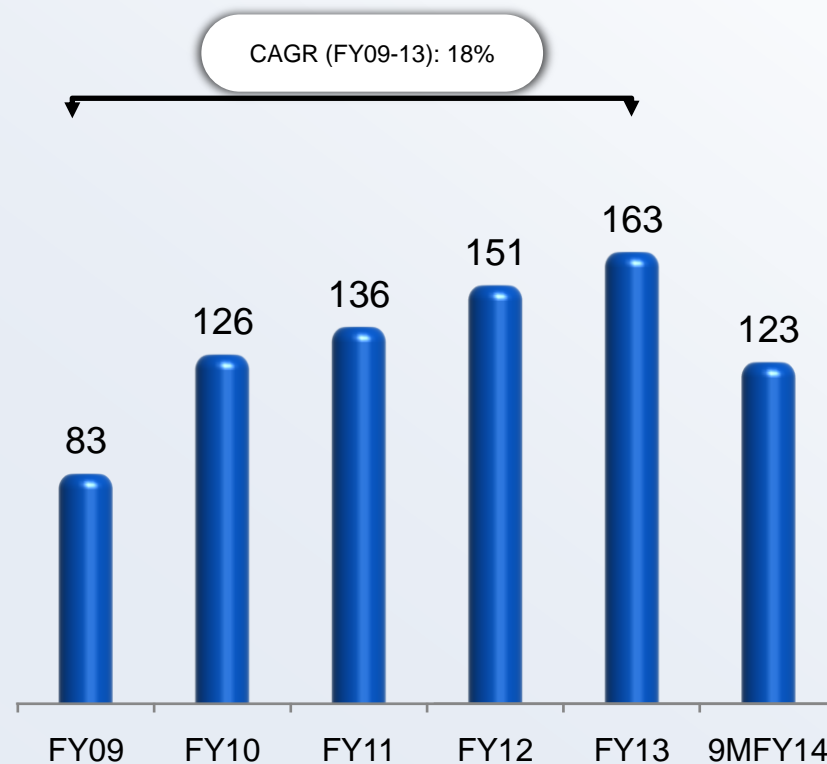


Strong Financial Position: Profitability

Profit After Tax (Rs. crore)



EBIDTA (Rs. crore)



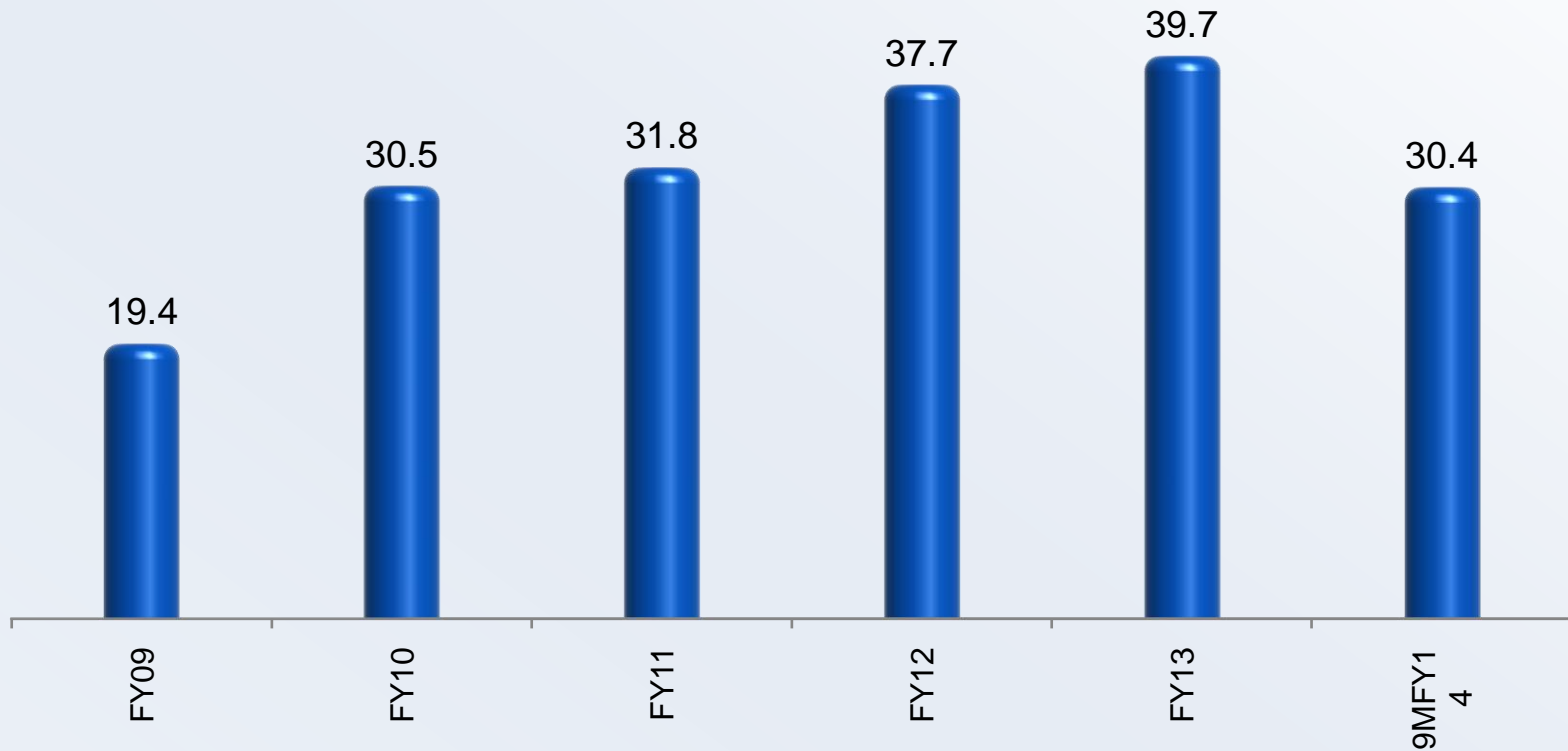
Strong Financial Position – Dividend per share of Rs 10

Payout
Ratio



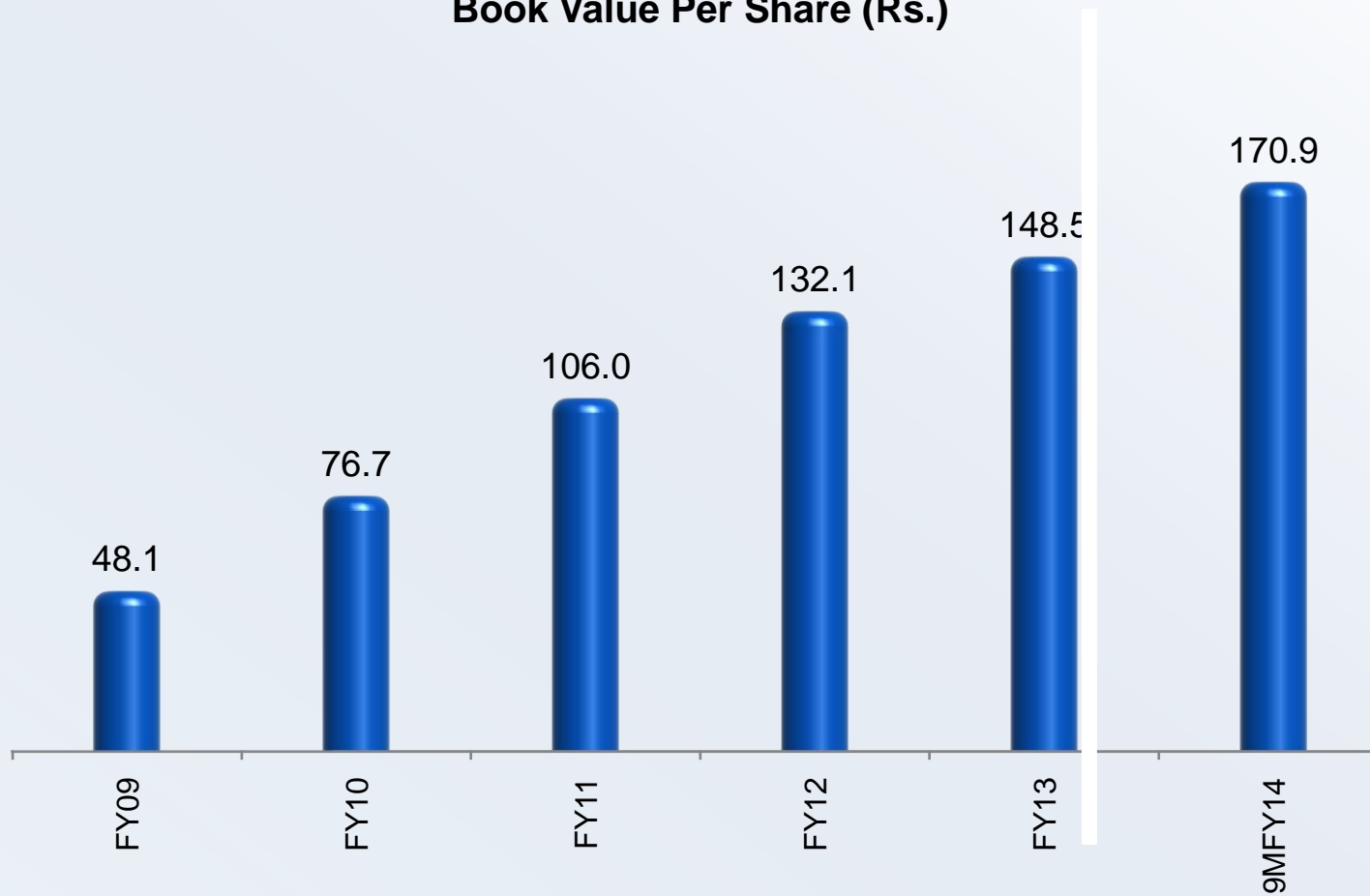
60% Interim dividend declared for Q3 FY14

Earning Per Share (Rs.)

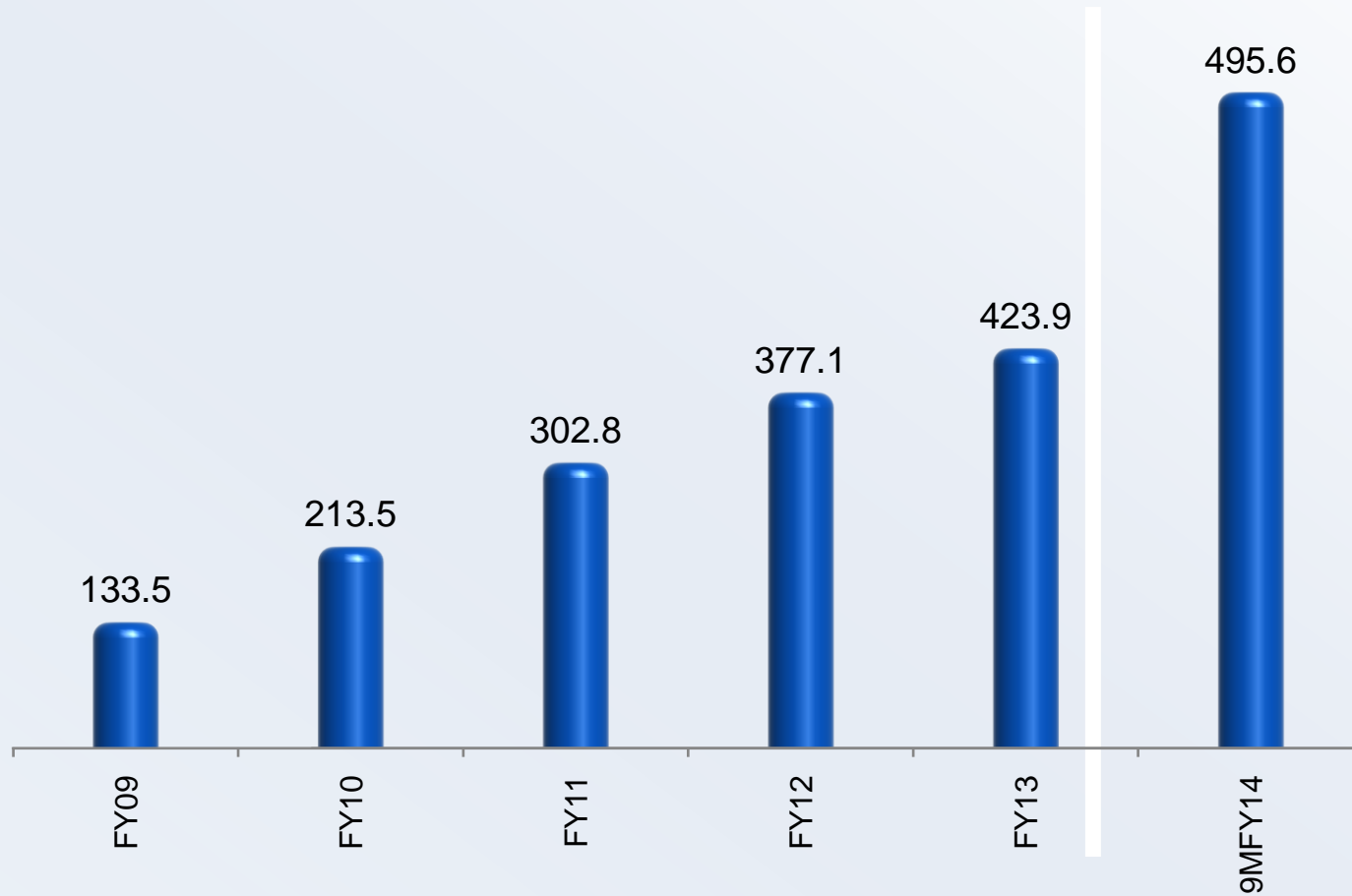


EPS for 9MFY14 is not annualized

Book Value Per Share (Rs.)

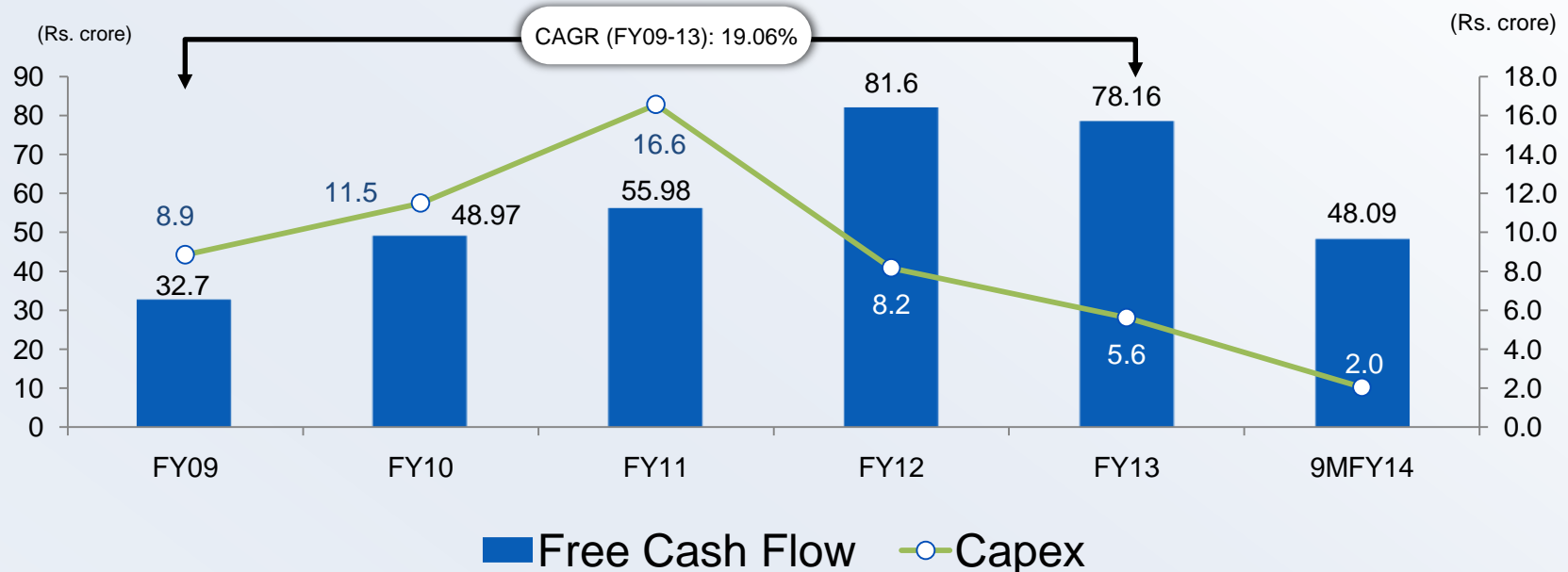


Net worth (Rs. crore)



Strong Financial Position and Profitability

Strong cash flow generation with low capex intensity supports a cash rich balance sheet



- Significant annual cash flow generation enabling strong cash on books of Rs. 441 crore
- Substantial accrual to balance sheet augments shareholder worth – creating value each successive year; 58% payout in FY13 and 69.5% payout for 9M FY14
- Provides sizeable platform to deliver future growth - evaluating organic and inorganic opportunities to create value

Quality Systems & Risk Management

- Established rating procedures
- Separate quality control department
- Continuous criteria development and improvement
- 3 levels of checks & balances

Information Technology

- Implemented integrated information interface for work flow management
- Established CARE Knowledge Centre (CKC)
- Established Online Research Distribution System for subscription of research reports

**Industry
analogous
default rates**

- In-line with SEBI, RBI compliance CARE publishes an annual Default and Transition study of CARE rated issuers
- CARE's issued rating exhibit high level of stability – cumulative default rates and transition rates in line with industry average and peers

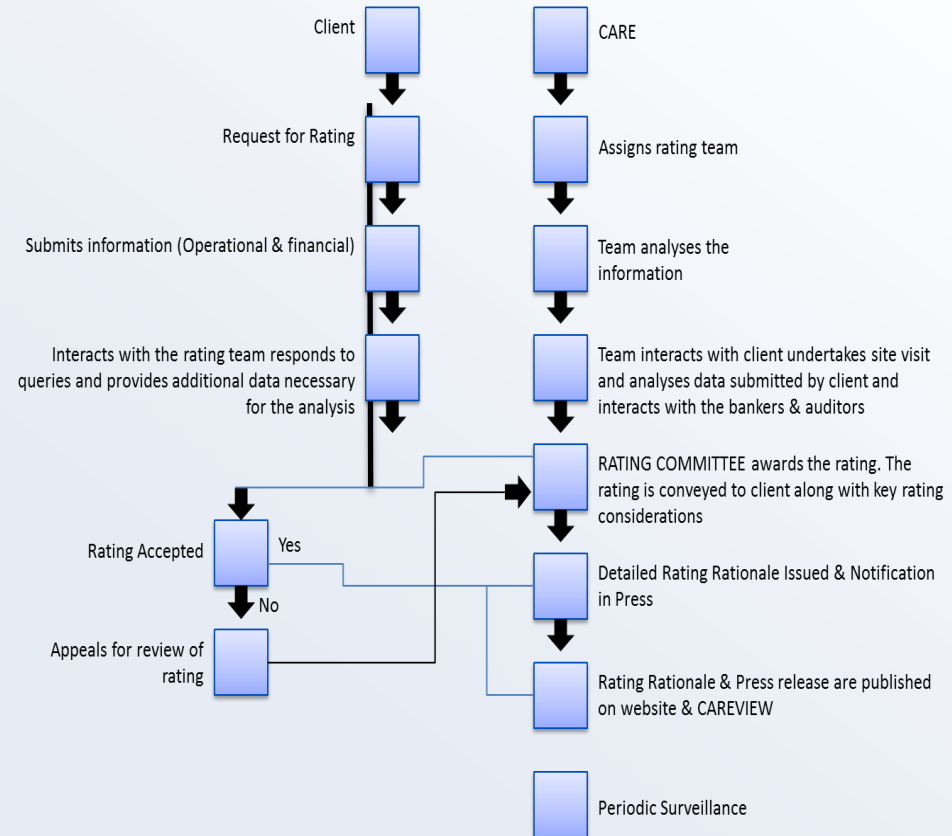
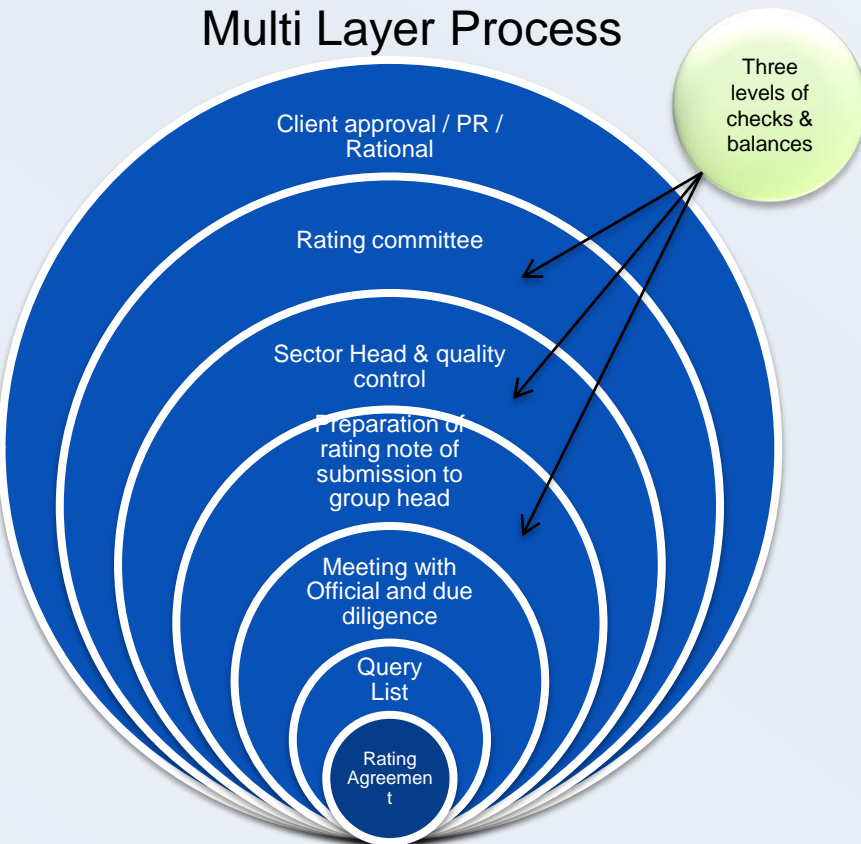
**Principled
ratings
approach**

- Strong policies in place to drive merit based ratings
- Compensation terms insulated from rating assigned

Advantage CARE - Strong Rating Credibility

Aligned with benchmark processes laying strong emphasis on ratings indisputability

Multi Layer Process



Backed by strong team of 362 analysts

Strong Rating Credibility - External Rating

Committee

Steadfast commitment to veracity and objectivity in the opinions provided

- To maintain high standards of professional quality/integrity and address any conflict of interest, CARE has an external ratings committee comprising a majority of independent members
- Have had an external rating committee since inception (1993)
- Ratings ratified by highly qualified committee

Y. H. Malegam (Chairman)

- Former Managing Partner, S.B. Billimoria & Co.
- Member of Board of Directors of a number of companies and organizations including RBI

P.P. Pattanayak

- Former Managing Director of State Bank of Mysore
- Former Deputy Managing Director and Chief Credit Officer of SBI

V. Leeladhar

- Former Deputy Governor, RBI
- Ex-CMD Union Bank
- Former member of Board of Directors of IIBF, NABARD, NHB etc.

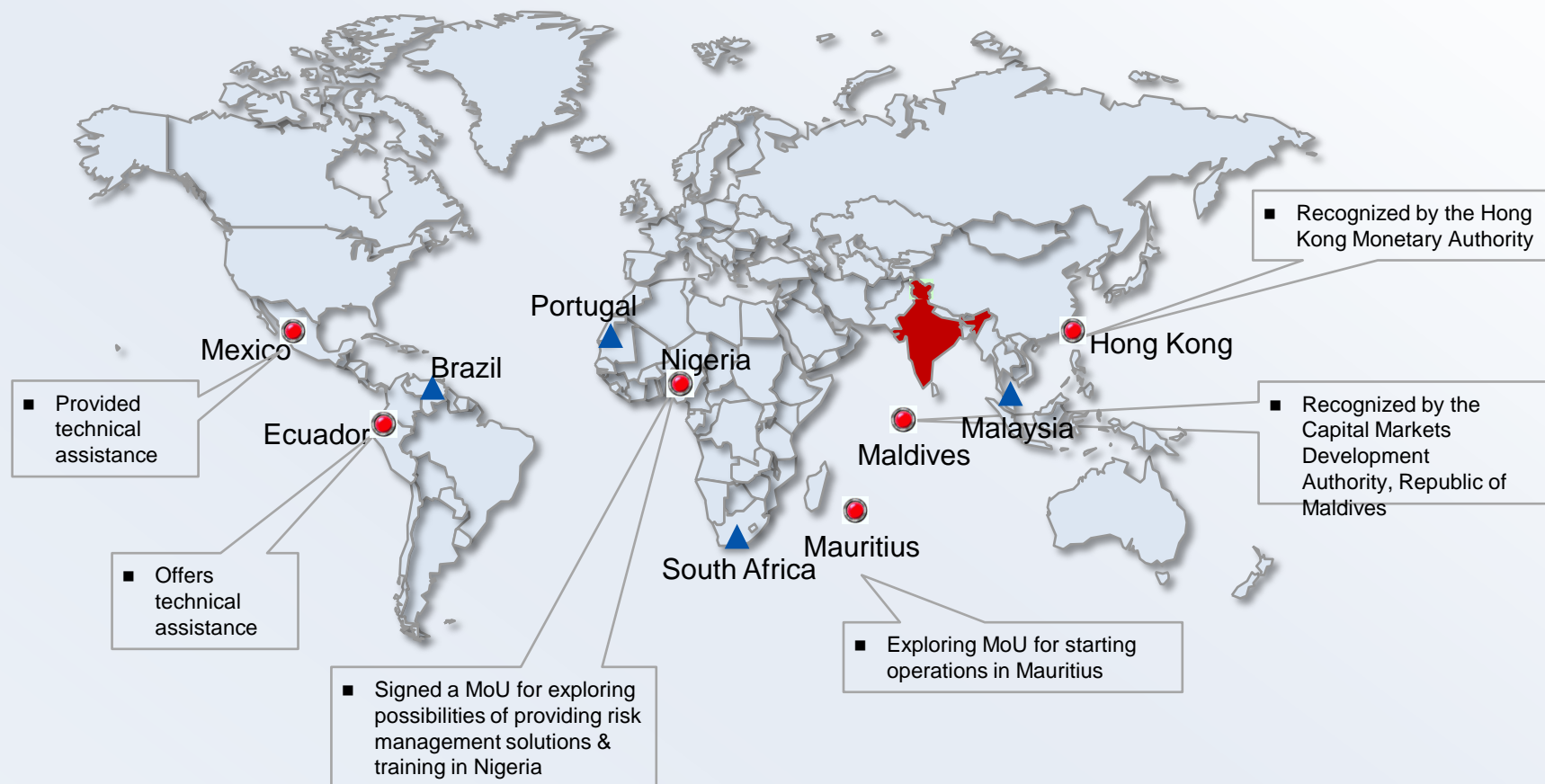
V.K. Chopra

- Former whole time member of SEBI
- Former Chairman and Managing Director of Corporation Bank and SIDBI

D.R. Dogra

- Managing Director, CARE
- Member of several committees of various chambers of commerce

Expanding international presence - only leading Indian rating Company with global play



▲ The Company has along with four partners from Malaysia, Brazil, Portugal and South Africa, launched international credit rating agency named ARC Ratings, SA, in London on January 16, 2014

Why ARC Ratings?

- Global integration and technological advancement have led to a dynamically changing world
- The change fundamentally alters how financial markets operate
- The world economy has become multi-polar and highly interconnected

How the ratings would be done?

- Multi-perspective and network based collaboration
- Experienced partners
- Mid-size companies coverage
- A unique management and governance model
- Innovative approaches and methodologies

Thank you