

'Core of CARE is analytics; we will build on that'

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RAJESH MOKASHI, MD & CEO, CARE Ratings

Company also plans to offer new services such as green and NGO rating: MD & CEO

Strengthening the ratings framework, achieving growth in the business it does, introducing new products (such as rating infrastructure investment trusts, green projects/bonds and NGOs), and raising the bar in terms of capabilities — these are high on the agenda of Rajesh Mokashi, MD & CEO of CARE Ratings. In an interaction with *BusinessLine*, Mokashi, who was appointed as CARE chief in August 2016 for a five-year period, said the core of his company is analytics and its strategy, going forward, will be to build on that.

How do you intend steering your company over the next five years?

The rating business is our core. We are trying to use our knowledge of ratings to see how structures (relating to capital, payments, cash flows, etc) can improve and help better access to capital for customers/ obligors.

The rating knowledge, structured finance, all these inputs are valuable to help the market develop and reduce a company's cost of capital.

So, this knowledge has to be extensively leveraged. Other than that we are looking at training, offering courses through our subsidiary.

We are looking at scaling up advisory services and providing research services in a bigger way. So, we hope to expand on these lines. The core of CARE is analytics. So, our strategy, going forward, will be to build around that, leverage the know-how.

Which emerging areas of opportunity are you planning to tap?

We have already issued our rating criteria for real estate investment trusts (REITs). We are now working on rating infrastructure investment trusts (InvITs).

No InvIT has been set up so far. But we expect that to happen in the next six months or one year or so. We are looking at green ratings. There are many investors who want to know how energy-efficient/environment-friendly the investee companies are.

So, we will come up with indicators which will help them decide how — within a given rating category — they could deal with more environment-friendly companies. So, this is one transformation that we see, going forward. We are responding to the needs of the market place. We are looking at NGO ratings and so many other areas. Whenever the market has a requirement, we have moved in to fill the gap.

Will the Indian growth story translate into more business for you?

Definitely we will benefit from India's underlying growth, the credit offtake growth. These become our base numbers to ride on. If credit offtake improves, obviously we do more business. We are an economy-facing company and our fundamentals are linked to the prospects of the Indian economy. So, we are looking for exciting times ahead in the next five years for the Indian economy and that eventually translating into good times for CARE as well as several other companies.

Last year a mutual fund took a hit as the company that issued the rated debt papers faced cash flow mismatches. Your agency suspended the company's rating as it did not share information. What are the lessons from this experience?

Some of them are peculiar situations in an evolving market because, you know, the Indian market was not used to a default in a debt investment made by a mutual fund house because they invested in somewhat higher rated, larger

corporations. But in the stressed situation that we went through, there would have been some defaults and that certainly then puts the thought process as to what happens to the investors in those mutual funds. I think the answer to that lies in the evolution of mutual funds into much larger entities.

Once you have a much larger entity, even if there are tiny defaults which can take place in any system (there is nothing like a risk-free world, even somewhat highly-rated companies occasionally can default anywhere in the world), the impact is not felt so much. The minimum ticket size, larger size of mutual fund schemes — all these are steps required to ensure that concentration risk in mutual funds is minimised.

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