

Press Release

Financial Results for Q4 FY 22 and FY 2021-22

May 28, 2022



The Board of Directors of CARE Ratings Limited approved the financial results for Q4 FY22 and FY22 in the Board meeting held on May 28, 2022.

State of the Economy

The Indian economy has reasonably weathered the impact of the third wave of the pandemic which peaked in January 2022. The pace of recovery continues to be gradual and uneven across segments. While several economic indicators point towards an improvement in the economic activity and a slow return to normalcy, but consumption still appears weak and significant improvement in consumption will be critical in stimulating the private investment cycle.

Fresh headwinds because of the Russia-Ukraine conflict, elevated commodity prices and global supply-chain woes have created economic uncertainties. This has also resulted in strong upward pressure on inflation. In midst of the global turmoil, the Indian economy is still relatively better placed, with GDP growth projected over 7% in FY23.

Fundraising by businesses showed a mixed scenario in FY22, as issuances in the corporate bond market remained muted while commercial paper issuances were upbeat. Corporate bond issuances in FY22 were at Rs 5.8 lakh crore, down 24% from the previous year. Total CP issuances were at Rs 20 lakh crore in FY22, higher by 16% in comparison to FY21.

Gross bank credit grew by 9.6% in FY22 as against 4.6% in FY21. Bank credit to the Industry and Services sector improved to 7.1% and 8.9%, respectively. In FY22, the share of the Retail sector in the total credit offtake was the largest at 28%, followed by Industry and Services at 27% and 26%, respectively.

Standalone results

CARE Ratings standalone total income decreased by 1.6% from Rs.251.61 crore in FY21 to Rs.247.63 crore in FY22, majorly due to certain reversals of provision last year which was not there in current year. However, the rating income has increased by 4% in FY22 largely contributed by increase in initial ratings business. Total expenses have marginally increased by 1.3% during this period. Net profit has been almost at same level at Rs.84.47 Crore in FY22.

Operating profit margin and net profit margin were 39.2% and 34.1% respectively in FY22 and are at almost same level as last year.

For the fourth quarter total income decreased by 10.5% from Rs. 74.82 crore to Rs. 66.94 crore which is largely impacted by reversal of provision last year which was not there in the current year. Net profit increased by 30.9% from Rs. 22.09 crore Q4FY21 to Rs. 28.92 crore in Q4FY22.

Consolidated Results

CARE Ratings consolidated total income decreased by 1.8% percent from Rs. 279.74 Crore in FY21 to Rs. 274.82 crore in FY22. However, total income has increased by 1.5% from last year excluding the provision reversal last year. Total expenses have increased by 9.4% during this period. Net profit decreased from Rs.90.97 crore to Rs.76.83 crore mainly due to provisions made on conservative basis in one of our subsidiaries for the exposure to Sri Lanka business. Hence, net of provisions, residual exposure to Sri Lanka stands at Rs. 2.36 Cr. We are hopeful of recovery once the situation in Sri Lanka improves.

For the fourth quarter total income decreased by 14.3% from Rs. 85.25 crore to Rs. 73.06 crore which is largely impacted by reversal of provision last year, which was not there in current year, while net profit decreased from Rs. 26.49 crore to Rs. 23.31 crore as majority of provisions mentioned above have been taken in this quarter.

The consolidated financials include those of CARE Ratings and its four subsidiaries.

The Board of Directors has recommended a final dividend of Rs. 10/- per share (of Rs. 10/- face value) which will take the total dividend declared for the year to Rs. 17/- per share.

Besides, in line with the strategy of diversification of business, the Board approved the following for its wholly owned subsidiaries:

- An equity capital infusion of Rs. 33.5 Cr for strengthening the product profile and sales franchise of CARE Risk Solutions Pvt. Ltd.
- An equity capital infusion of Rs. 10 Cr into CARE Advisory Research & Training Ltd. to strengthen the advisory, consulting and ESG businesses.

‘While the Indian economy is relatively better placed amidst global turbulence, we need to be cautious of the global headwinds. Driven by supply bottlenecks and the war situation, inflation has emerged as a big cause of concern not just for India but globally. The resultant monetary tightening globally and its impact on economic growth and financial markets warrants careful monitoring. The Government has strong capex plans for FY23 and the private investors were also showing encouraging intent of investment. However, the recent global and domestic uncertainties could cause some delay in private investment pick-up, said **Ajay Mahajan, MD and CEO of CARE Ratings Ltd.** ‘We believe that given our focus on new ratings business and tapping new opportunities for non-ratings business, we should be able to remain on track for developing CareEdge as an Analytics focussed organisation’, he further added.



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Ratings • Advisory • Research • Risk Solutions

Investor Presentation

Q4 FY22 and FY2021-22

May 28, 2022

CONTENTS

1.	About Us	3-4
2.	Financial Results - Q4 FY22 and FY2021-22	5-6
4.	Rating stability	7
5.	ESG Ratings	8
6.	Outreach Activities	9-10
7.	State of the Economy	11-15
8.	Outlook	16

CareEdge Group

CARE Ratings Limited

CARE Risk
Solutions
(100%)

CARE Advisory
& Research
(100%)

CARE Ratings
(Africa)
(78%)

CARE Ratings
Nepal
(51%)



Vision

A global research & analytics company that enables risk mitigation and superior decision making



Mission

To provide best-in-class tools, analysis and insights, enabling customers to make informed decisions.



Values

Integrity, Pursuit of Excellence, Commitments, Fairness

STRATEGY



Group Approach:

Synergize multiple offerings with a singular thrust

Talent:

Drive employee and culture-centric initiatives for growth and cultural transformation



Technology:

Drive digital transformation in ratings business and enhance product quality

Branding:

Create a distinguished brand worthy of a financial powerhouse



Financial Performance – Q4 FY22

Rs. in Crore

Q4 FY 22 compared with Q4 FY 21						
Particulars	Standalone		% Change	Consolidated		% Change
	Q4 FY22	Q4 FY21		Q4 FY22	Q4 FY21	
Total Revenue	66.94	74.82	(11%)	73.06	85.25	(14%)
Total Expenses	32.76	45.25	(28%)	45.66	50.81	(10%)
Profit Before Tax (PBT)	34.18	29.56	16%	27.39	34.44	(20%)
Provision for Tax	5.26	7.47	(30%)	4.09	7.95	(49%)
Profit After Tax (PAT)	28.92	22.09	31%	23.31	26.49	(12%)
Profitability						
PBT (%)	51%	40%		37%	40%	
PAT (%)	43%	30%		32%	31%	
Basic EPS (Rs. Per share)	9.69	7.50		7.72	8.85	

- Consolidated Results**

- For the fourth quarter total income decreased by 14.3% from Rs. 85.25 crore to Rs. 73.06 crore which is largely impacted by reversal of provision last year, which was not there in current year, while net profit decreased from Rs. 26.49 crore to Rs. 23.31 crore as majority of provisions mentioned above have been taken in this quarter.

- Standalone results**

- For the fourth quarter total income decreased by 10.5% from Rs. 74.82 crore to Rs. 66.94 crore which is largely impacted by reversal of provision last year which was not there in the current year. Net profit increased by 30.9% from Rs. 22.09 crore Q4FY21 to Rs. 28.92 crore in Q4FY22.

Financial Performance – FY22

Rs. in Crore

FY 22 compared with FY 21						
Particulars	Standalone		% Change	Consolidated		% Change
	FY22	FY21		FY22	FY21	
Total Revenue	247.63	251.61	(2%)	274.82	279.57	(2%)
Total Expenses	140.65	138.88	1%	176.19	160.92	9%
Profit Before Tax (PBT)	106.98	112.73	(5%)	98.63	118.65	(17%)
Provision for Tax	22.51	26.90	(16%)	21.80	27.68	(21%)
Profit After Tax (PAT)	84.47	85.83	(2%)	76.83	90.97	(16%)
Profitability						
PBT (%)	43%	45%		36%	42%	
PAT (%)	34%	34%		28%	33%	
Basic EPS (Rs. Per share)	28.62	29.13		25.45	30.38	

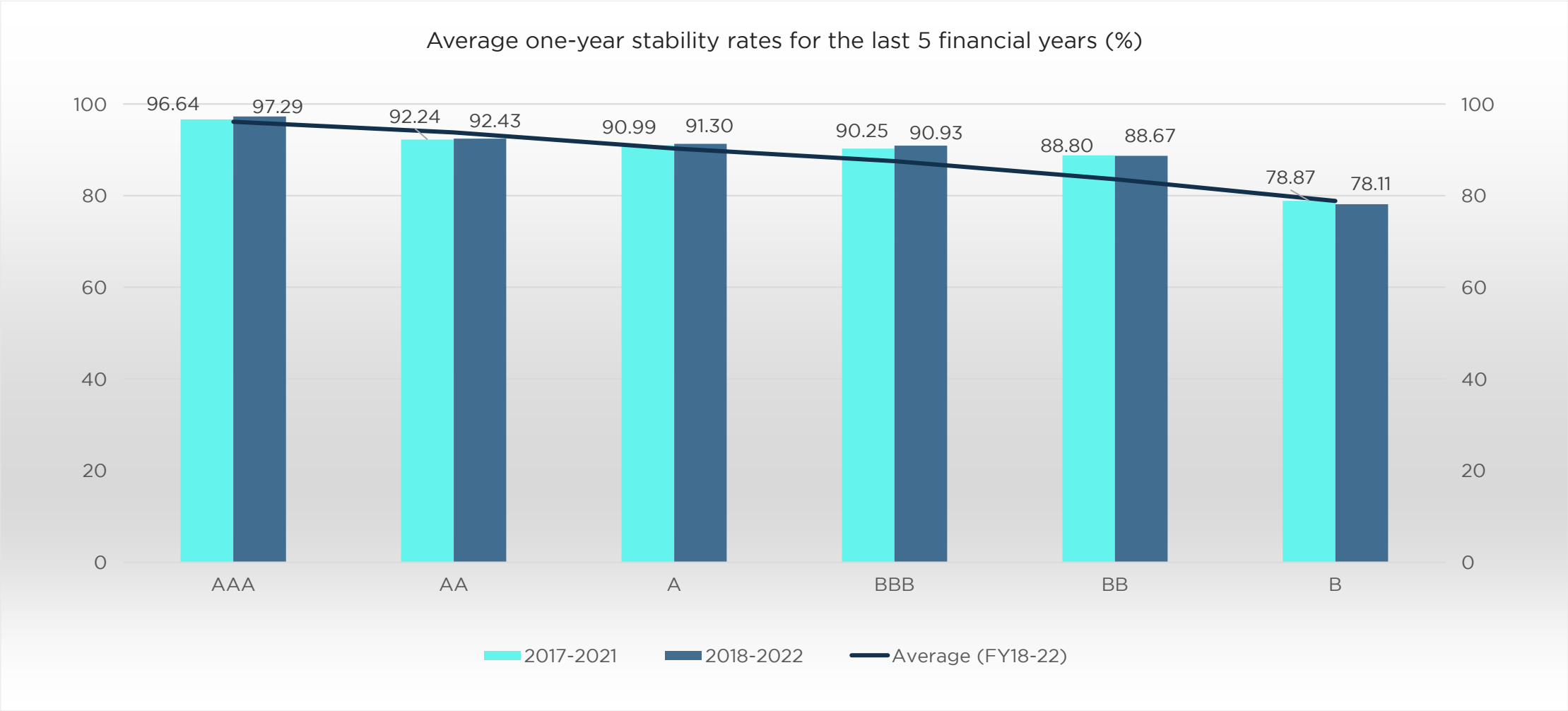
- **Consolidated Results**

- CARE Ratings consolidated total income decreased by 1.8% percent from Rs. 279.57 Crore in FY21 to Rs. 274.82 crore in FY22. However, total income has increased by 1.5% from last year excluding the provision reversal last year. Total expenses have increased by 9.4% during this period. Net profit decreased from Rs.90.97 crore to Rs.76.83 crore mainly due to provisions made on conservative basis in one of our subsidiaries for the exposure to Sri Lanka business. Hence, net of provisions, residual exposure to Sri Lanka stands at Rs. 2.36 Cr. We are hopeful of recovery once the situation in Sri Lanka improves
- The consolidated financials include those of CARE Ratings and its four subsidiaries

- **Standalone results**

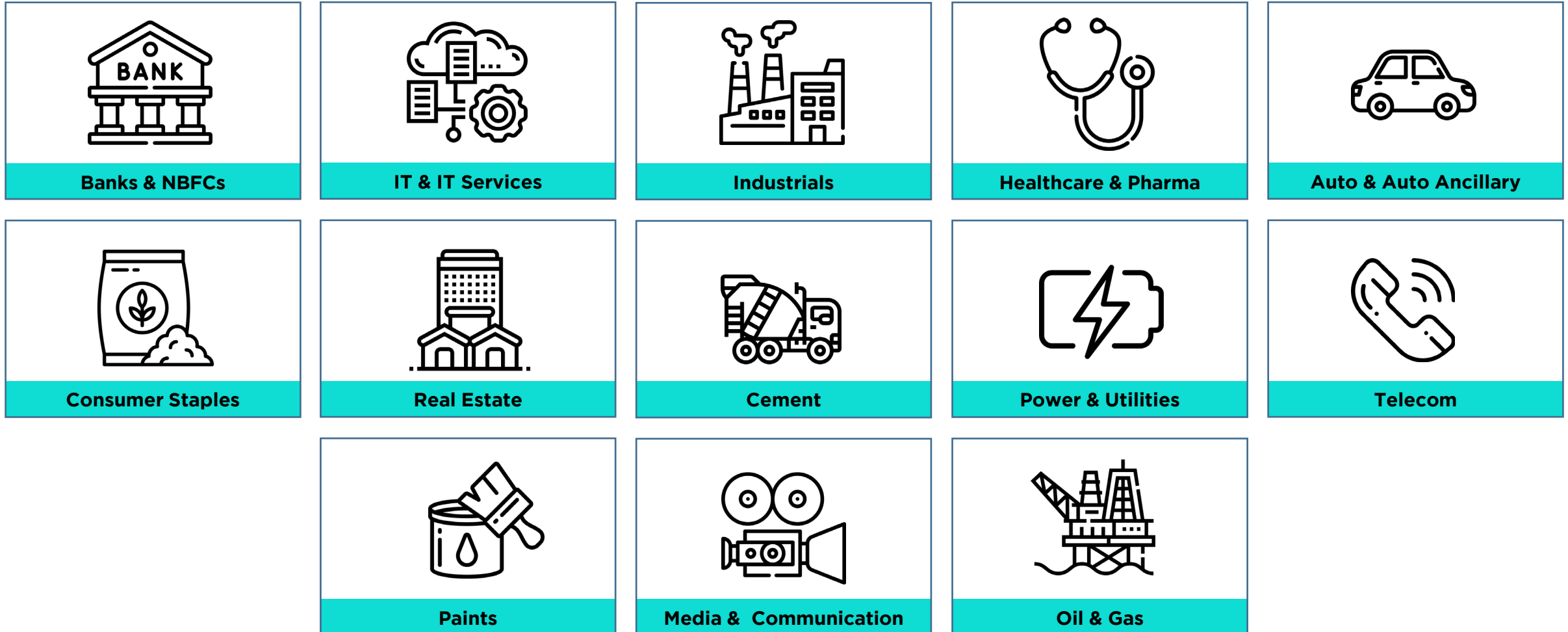
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- Operating profit margin and net profit margin were 39.2% and 34.1% respectively in FY22 and are at almost same level as last year

Rating stability: In sync with industry average



Empanelled as an ESG Rating Provider (ERP) for AMCs by AMFI

CareEdge has completed the assessments of over 300 listed companies for FY 20 - 21. Our sectoral coverage ranges to over 11 sectors and 66 subsectors some of which are given below





Reports & Publications:

- The economics, ratings & industry research teams published their views on various developments blended with the expertise of our rating and research specialists.

Published in Q4 FY22	
Daily	66
Weekly	29
Fortnightly	6
Monthly	40
Special reports	17



Knowledge Sharing Forums:

- CareEdge senior management, economics, sector specialists, industry research teams along with business development leaders participated in multiple knowledge-sharing forums.
- 15 Knowledge sharing forums were conducted in Q4.
- CARE Advisory & Research Ltd. associated as the knowledge and assessment partner for ETRise Top MSMEs Ranking.



CareEdge Union Budget Analysis:

- CareEdge published a comprehensive Union Budget analysis, which was featured across multiple media houses.



Outreach Activities



Speaker Invitations:

- Ajay Mahajan, MD & CEO, was invited by ET NOW on their show 'Leaders of Tomorrow' to share insights on the macro-economic outlook.
- Sachin Gupta, Chief Rating Officer, participated in a discussion on CNBC Aawaz and spoke on the the impact of rising crude oil prices on emerging markets and Ukraine-Russia war.
- Sanjay Agarwal, Senior Director, was invited as a panellist for a pre-budget discussion, which was organised by CredAvenue in partnership with Money Control.
- Kiran Surve, CEO, CareEdge Risk Solutions, was invited as one of the speakers at an exclusive roundtable conversation on the theme 'Adoption of Cloud Tech in Financial Services'. This was part of the new The Cloud Conversation Series presented by CNBCTV18.com and Microsoft.
- Nehal Shah, Head - Compliance, Legal and Secretarial, was invited as a speaker at a Mint webinar titled 'Reshaping the Compliance Landscape in 2022 and Beyond'.

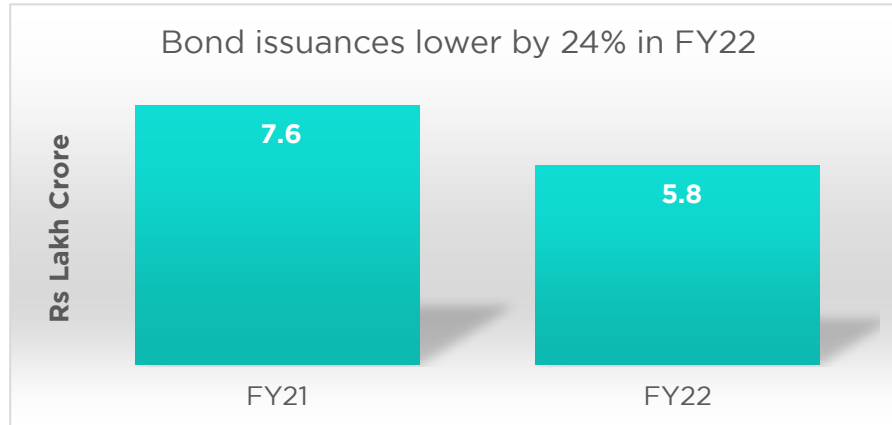


Awards & Accolades:

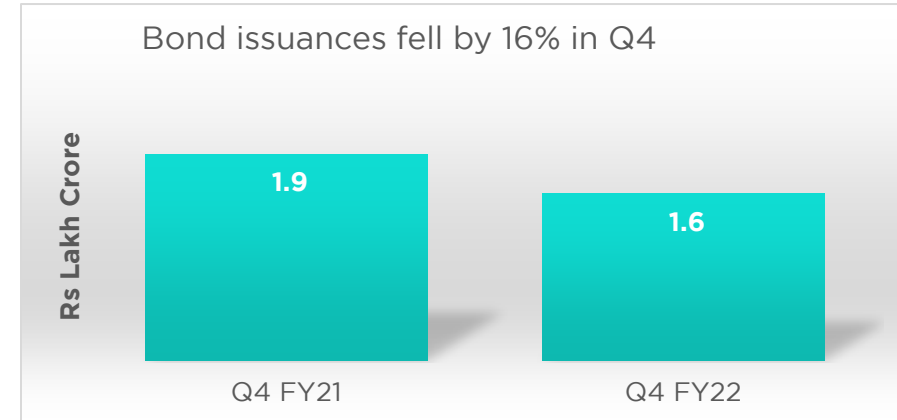
- CareEdge Risk Solutions was chosen as one of the winners of the RiskTech Awards.
- Nehal Shah, Head - Compliance, Legal and Secretarial, was recognised for her excellence in the category of 'Best Leading Lawyers of 2022' by the World Intellectual Property Forum.



Corporate Bond Issuances Subdued

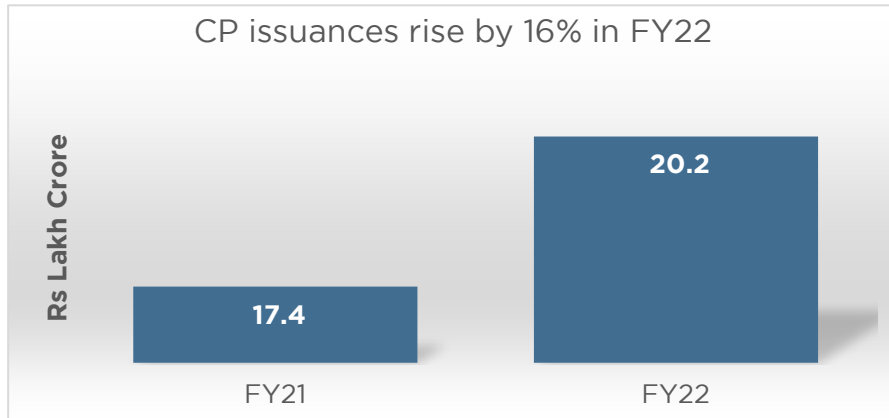


Source: Prime database

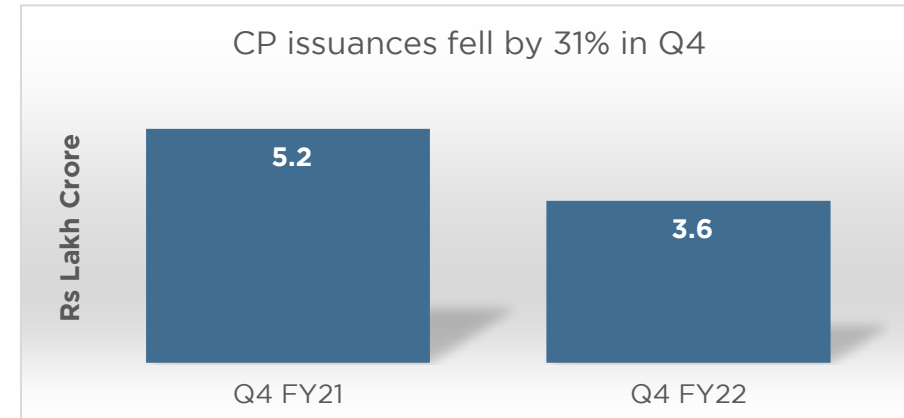


Source: Prime database

CP Issuances Record a Weak Q4, but Grow in FY22

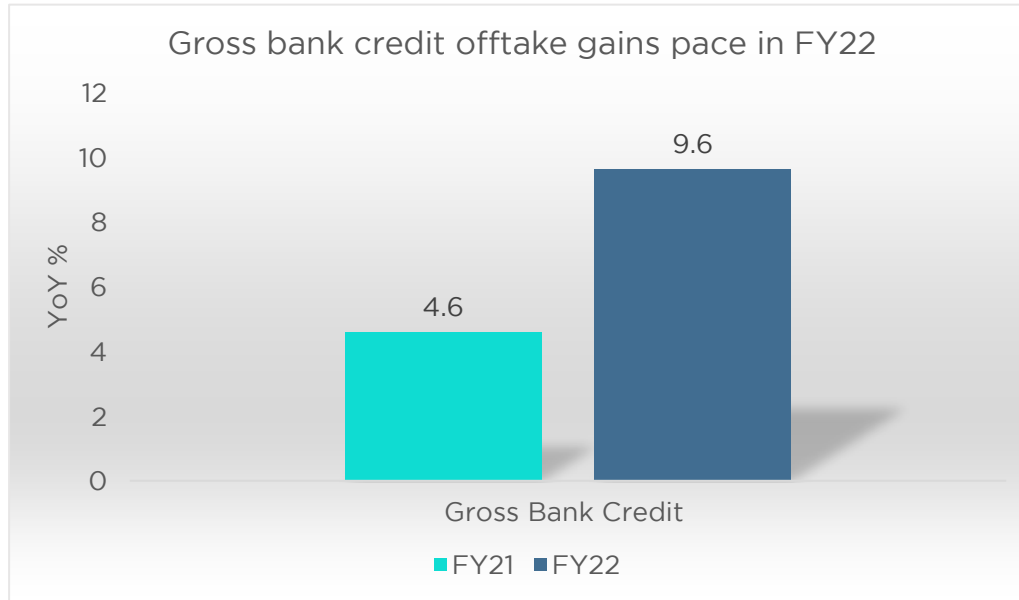


Source: CEIC

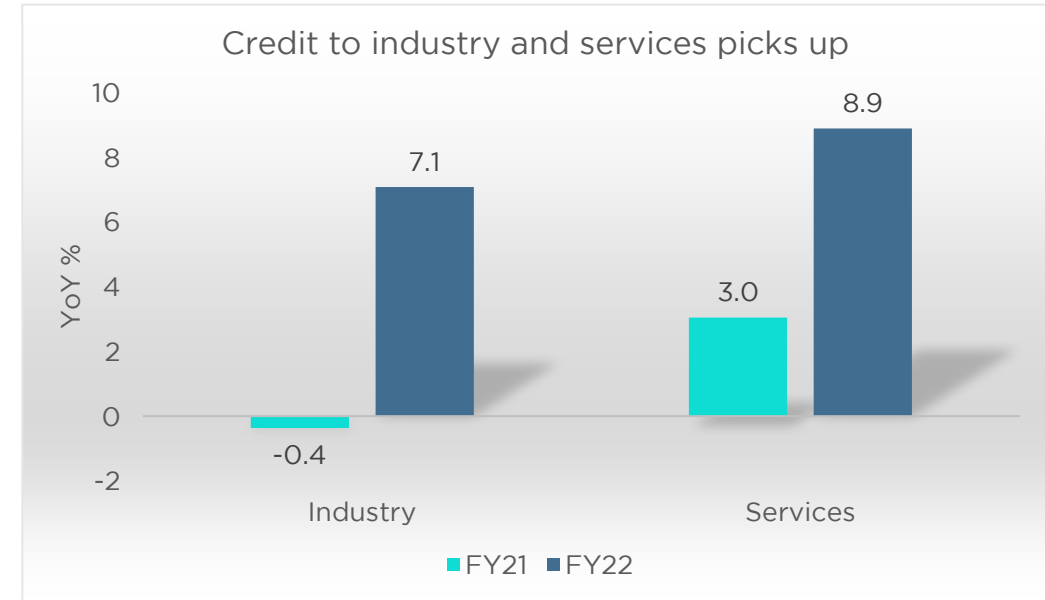


Source: CEIC

Bank Credit Offtake



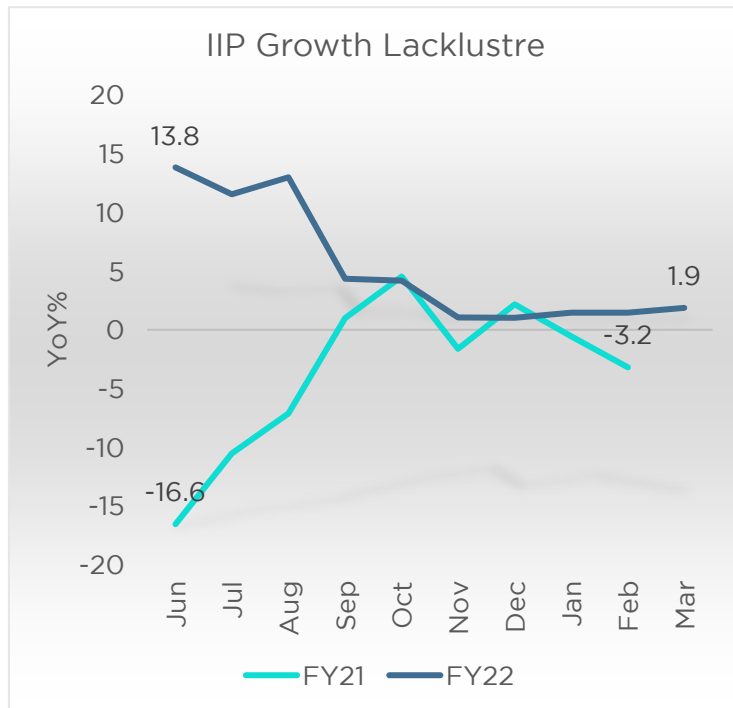
Source: RBI



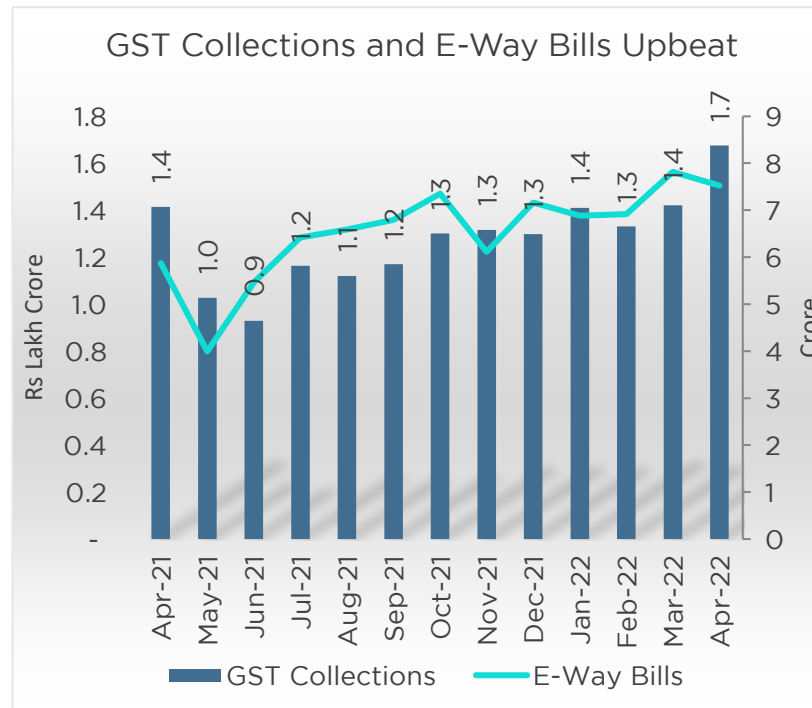
Source: RBI

- Driven by Retail, Industry and Services sector, bank credit offtake picked up pace in FY22.
- In FY22, 28% of the total credit offtake was by the Retail sector, followed by Industry (27%) and Services sectors (26%).

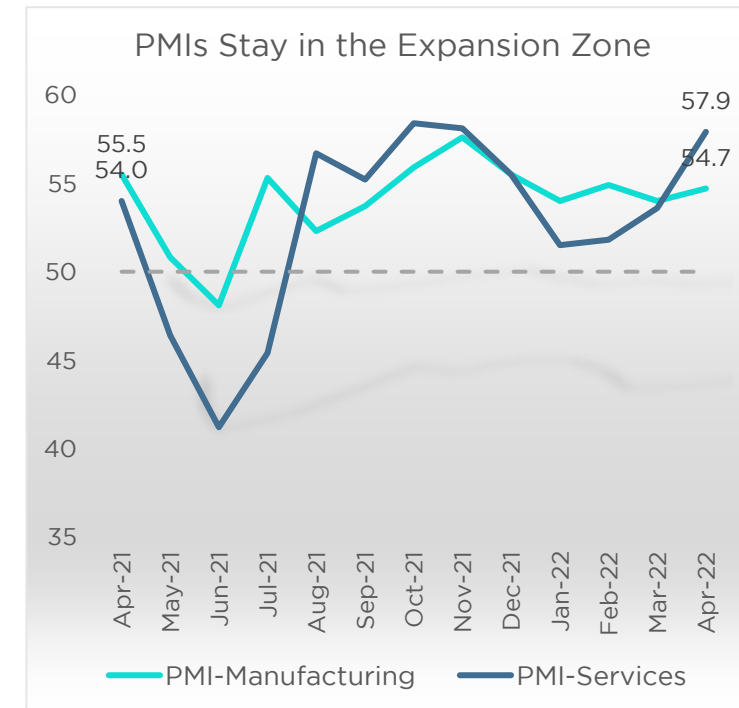
High-frequency Indicators



Source: MOSPI
Note: Data for March FY21 excluded due to base-effect



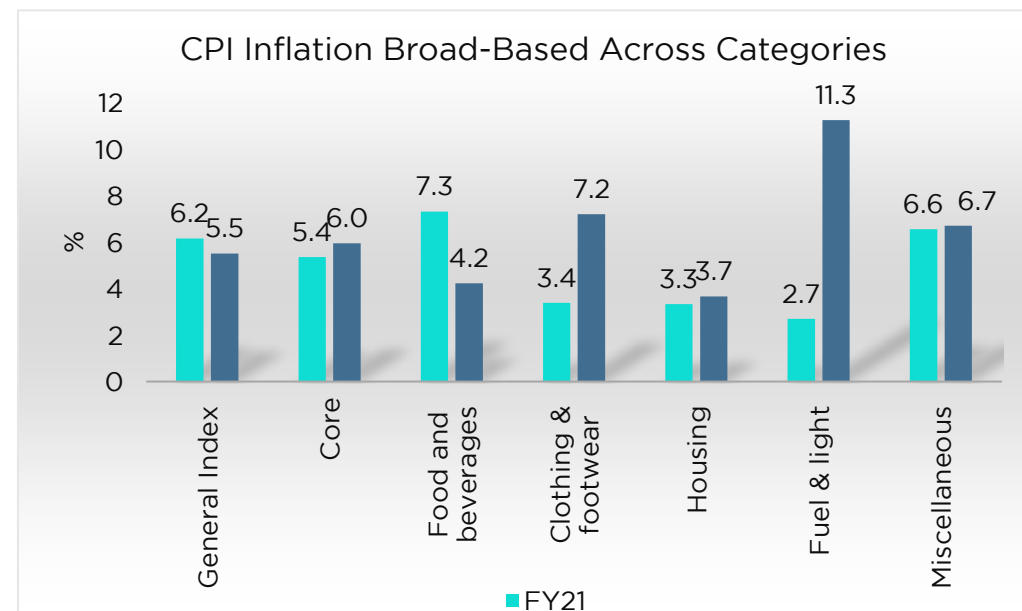
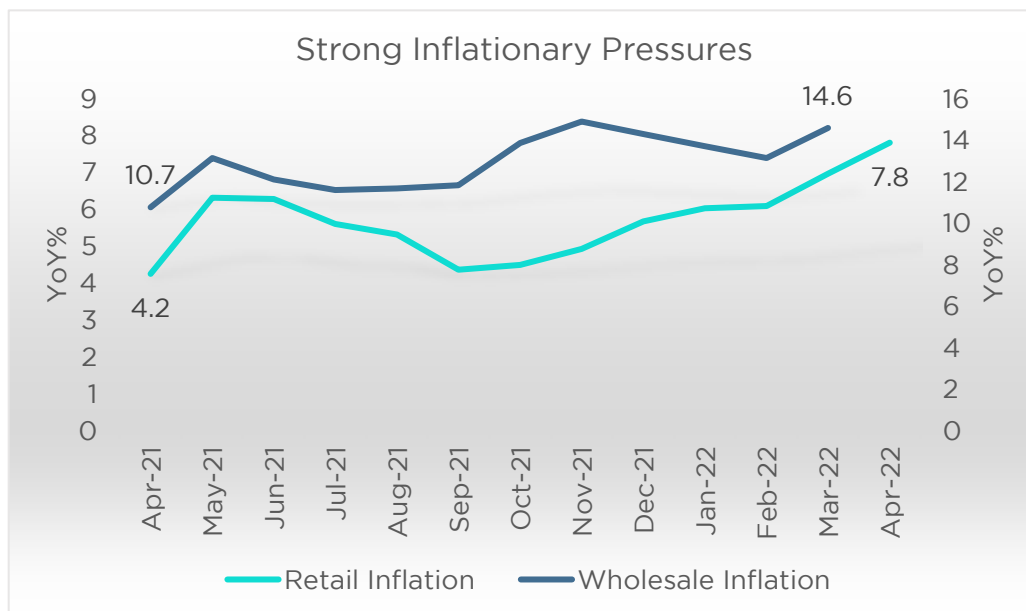
Source: Ministry of Finance, GSTN



Source: IHS Markit

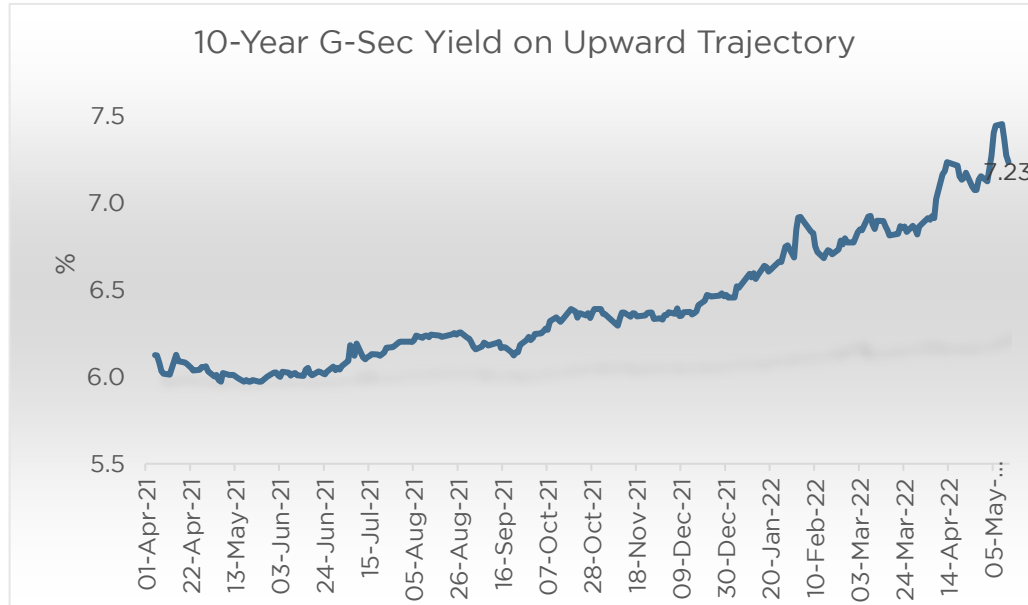
- IIP growth continued to show weakness, with tepid Manufacturing sector growth and muted consumption demand.
- GST collections and E-way bills show improvement in economic activity.
- PMI trends across Manufacturing and Services sectors remained in the expansion zone.

Inflation & Economic Recovery

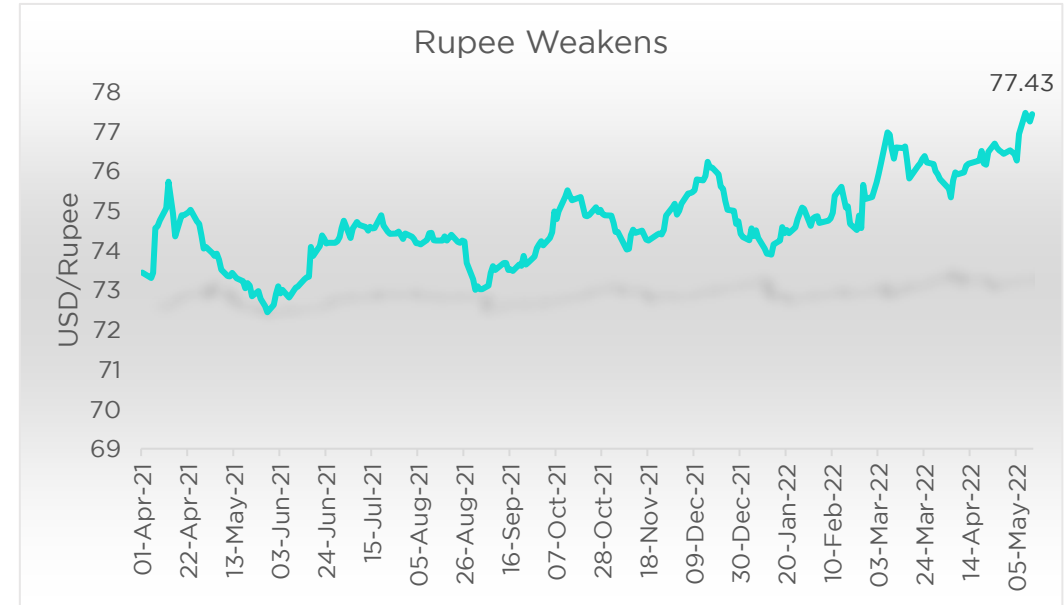


- Domestic inflation surged to an eight-year high of 7.8%, while core inflation was up at 6.8% in April 2022.
- Already weak consumer sentiments could be hit further by rising inflation.
- Rising household inflationary expectations and wage-price spiral could hurt the economy.

Yields & Currency



Source: FIBIL



Source: Business Standard

- Large government borrowings and likely rate hikes to push up G-Sec yields.
- Rupee has come under pressure in response to the widening current account deficit and FII outflows.
- Dollar strengthening and weakening of other emerging basket currencies add to the weakening pressure on Rupee.

- 1 India's GDP growth is projected in the range of 7.2-7.5% for FY23
- 2 Investment scenario expected to improve, albeit at a marginal pace in FY23.
- 3 The government's investment push to have a multiplier effect on the economy
- 4 10-year G-Sec yield expected to rise to 7.75-8.00% by the end of FY23.
- 5 RBI expected to hike the repo rate by 75-100 bps in FY23
- 6 Inflation likely to be around 6.0%, with an upward bias in FY23

Thank You!

About Us

CareEdge is a knowledge-based analytical group that aims to provide superior insights based on technology, data analytics capability and detailed research methods. CareEdge Ratings is one of the leading credit rating agencies in India. It has an impressive track record of rating companies for almost three decades and has played a pivotal role in developing the corporate debt market in India. CareEdge provides near real time research on all domestic and global economic developments. The wholly owned subsidiaries include CareEdge Advisory & Research arm focused on providing advisory and consultancy services and CareEdge Risk solutions a platform that provides risk management solutions

CARE Ratings Limited

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Connect

