

10<sup>th</sup> August 2020

## Q1-FY21 Results

The Board of Directors of CARE Ratings approved the financial results for the first quarter of FY21 in the Board meeting held on Monday the 10<sup>th</sup> of August 2020.

### Consolidated results

For the quarter consolidated total income is Rs 46.89 crore as against Rs 57.73 crore in corresponding quarter of FY20. Profit after tax (PAT) moderated from Rs 13.49 crore in Q1-FY20 to Rs 9.70 crore in Q1-FY21.

### Standalone results

CARE Ratings standalone total income declined from Rs 52.96 crore in Q1-FY20 to Rs 42.49 crore in Q1-FY21. Other income increased from Rs 7.74 crore to Rs 9.44 crore. Total expenditure decreased from Rs 35.68 crore to Rs 30.09 crore during this period. PAT declined from Rs 13.09 crore to Rs 9.93 crore for the quarter with the margin correspondingly declining to 23.4% from 24.7%.

The shutdown following the pandemic affected the business environment as several companies were not able to function at a normal scale during the months of April and May. The RBI had offered a moratorium to companies on their debt servicing obligations which had an impact on overall growth in credit which was -1.2%. In particular, growth in credit to manufacturing and services had declined by -1% and -2.6% respectively over March. Also, the demand for institutional credit was low and the discretion shown by banks in lending impacted the flow of funds. This was notwithstanding the lowering of the repo rate by the RBI and infusion of liquidity through various measures since March. Bond issuances were higher at Rs 2.09 lakh crore in Q1 mainly due to the measures taken by RBI on TLTROs. The issuers tended to be higher rated companies and also in the public sector. All these factors affected our rating business. The time extensions given to companies to announce their results meant that we had less access to audited results of companies which affected our surveillance business.

“While the national level lockdown has been lifted and the economy is in an ‘unlock’ phase, localized lockdowns have affected economic activity and business is also not yet close to normal. Companies in the services sector in areas like hospitality, media, entertainment, tourism, catering, etc. have not yet been opened up and would have to wait for some more time. Under these conditions we would tend to be cautious in our outlook for growth in the credit and debt markets in the coming quarters.



On the positive side there have been several policy measures announced by the government and RBI to push forward the flow of credit which will mitigate the situation to an extent," said Ajay Mahajan, MD & CEO, CARE Ratings

For further information contact:

Ajay Mahajan, MD & CEO 022- 6754 3636

Navin Jain, Executive Director, 022- 6754 3400



# Investor Presentation

Q1 FY21

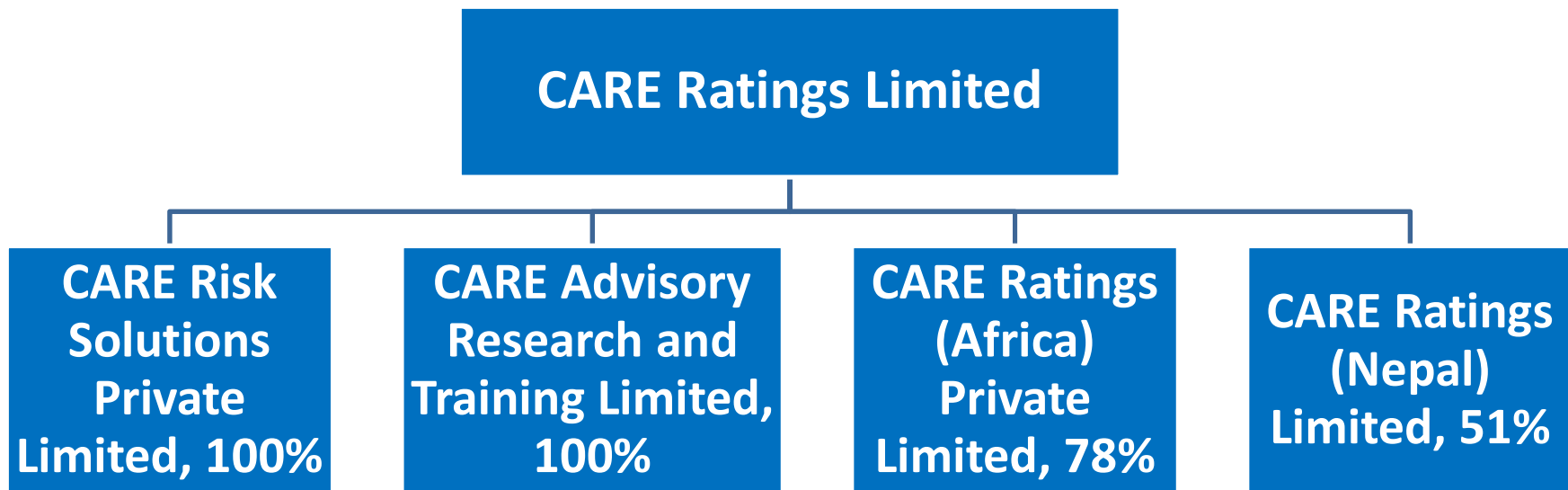
# Contents

Highlights

Financial & Business Performance

MCR/CDQI

Economic Backdrop



# Diversified Business Mix

## Ratings

- Manufacturing & Services sector
- Financial sector
- Infrastructure
- Small & Medium Enterprises
- Structured Finance
- Sub Sovereign ratings
- Alternate Inv. Fund, Infra. Dev. Fund

## International expansion

- Setup a rating agency in Mauritius and Nepal. Exploring neighboring countries, Africa

## CARE Advisory Research & Training Ltd.

- Advisory Services
- Training Services
- Customized Research

## Information Analysis & Grading

- Industry & Customized Research reports
- CARE Industry Risk Metrics (CIRM) reports
- Grading services
- Training
- Valuations

## CARE Risk solutions Private Ltd.

- Risk Solutions for
  - Basel II, Credit risks, Operational risks, Fund Transfer Pricing, Asset Liability Mgmt., Value at risk, Capital Adequacy Ratio, IFRS

# Contents

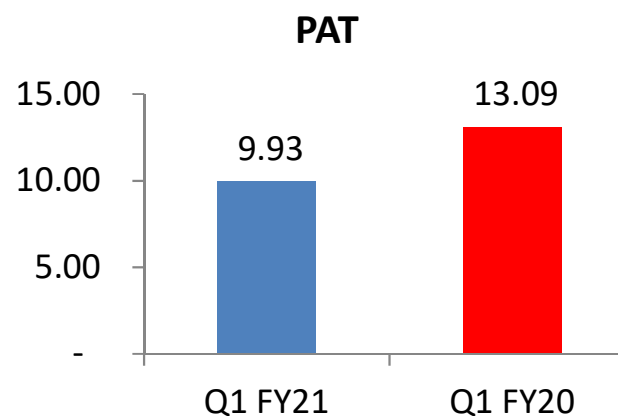
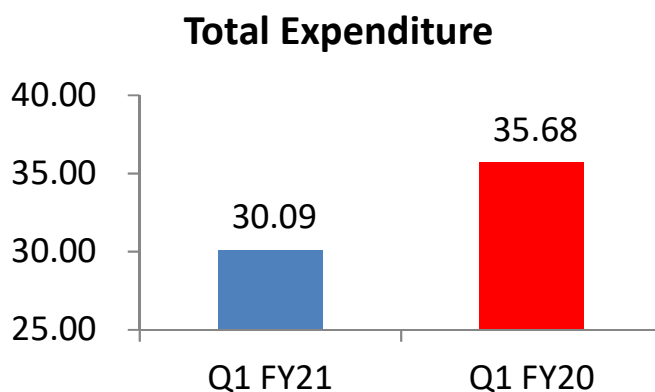
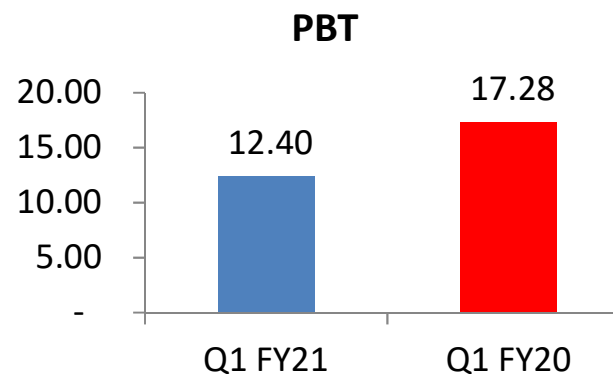
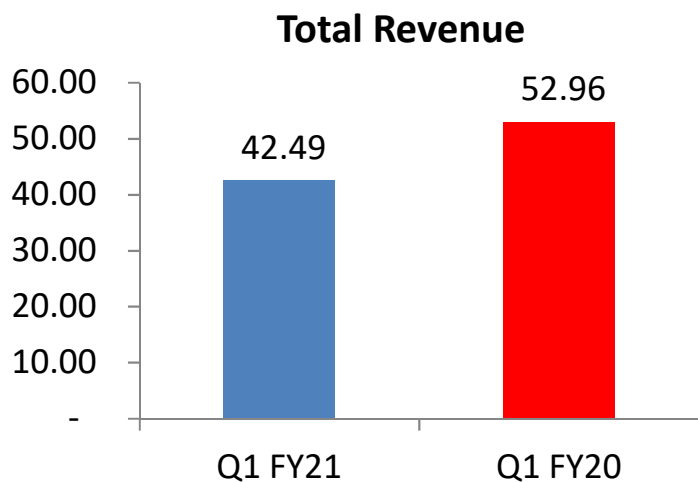
- Highlights
- Financial & Business Performance**
- MCR/CDQI
- Economic Backdrop

# Financial Performance

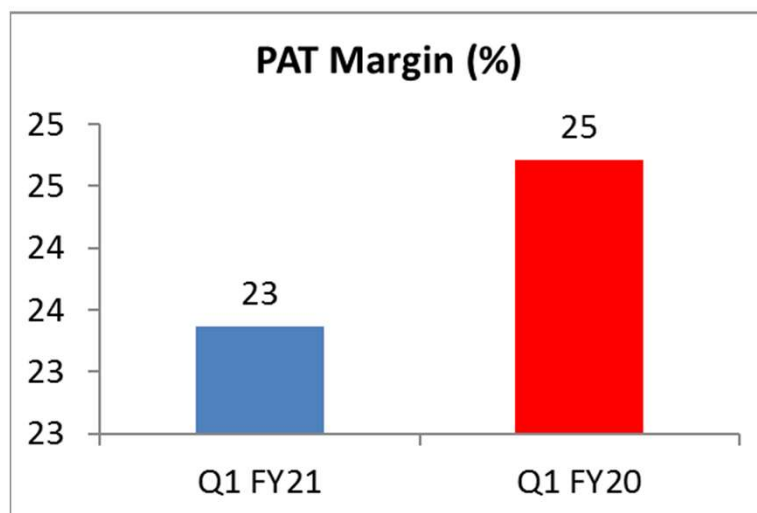
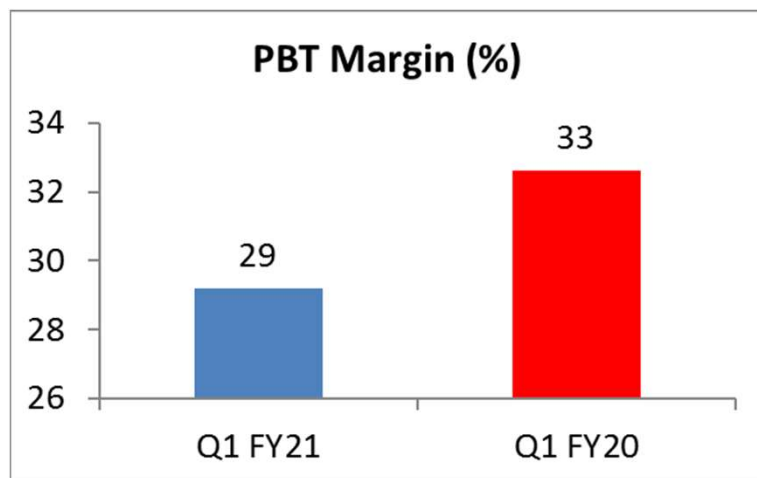
Particulars	Rs. in Crores					
	Standalone			Consolidated		
	Q1 FY21	Q1 FY20	% Change	Q1 FY21	Q1 FY20	% Change
Total Revenue	42.49	52.96	-20%	46.89	57.73	-19%
Total Expenses	30.09	35.68	-16%	34.55	39.89	-13%
<b>Profit Before Tax</b>	<b>12.40</b>	<b>17.28</b>	<b>-28%</b>	<b>12.34</b>	<b>17.84</b>	<b>-31%</b>
Provision for Tax	2.47	4.20	-41%	2.65	4.35	-39%
<b>Profit After Tax</b>	<b>9.93</b>	<b>13.09</b>	<b>-24%</b>	<b>9.70</b>	<b>13.49</b>	<b>-28%</b>
<b>Profit Before Tax margin (%)</b>	<b>29%</b>	<b>33%</b>		<b>26%</b>	<b>31%</b>	
<b>Net Profit margin (%)</b>	<b>23%</b>	<b>25%</b>		<b>21%</b>	<b>23%</b>	
<b>Basic EPS (Rs. per share)</b>	<b>3.37</b>	<b>4.44</b>		<b>3.17</b>	<b>4.47</b>	



## Financial Performance: Q1 FY21 (Rs Cr)- Standalone

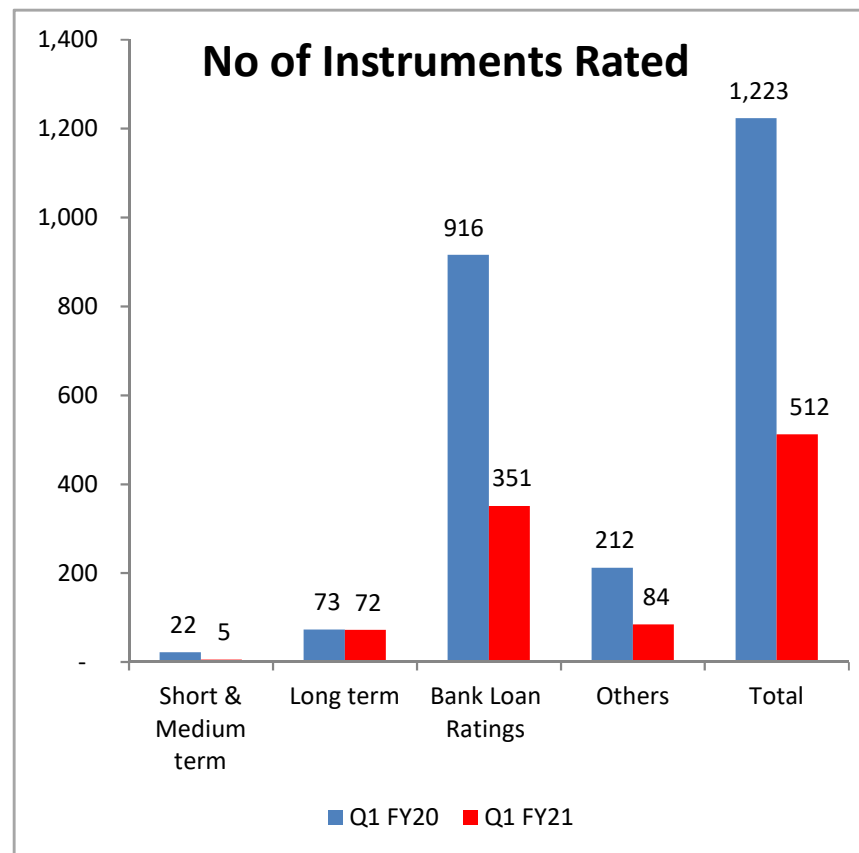
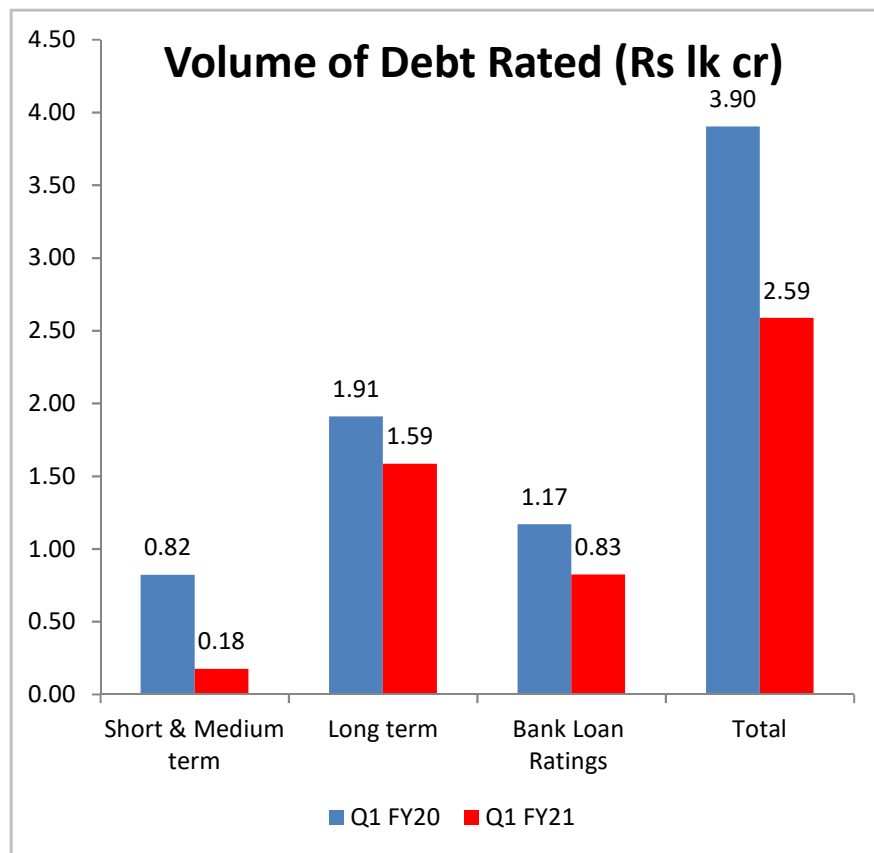


## Financial Performance: Q1 FY21- Standalone

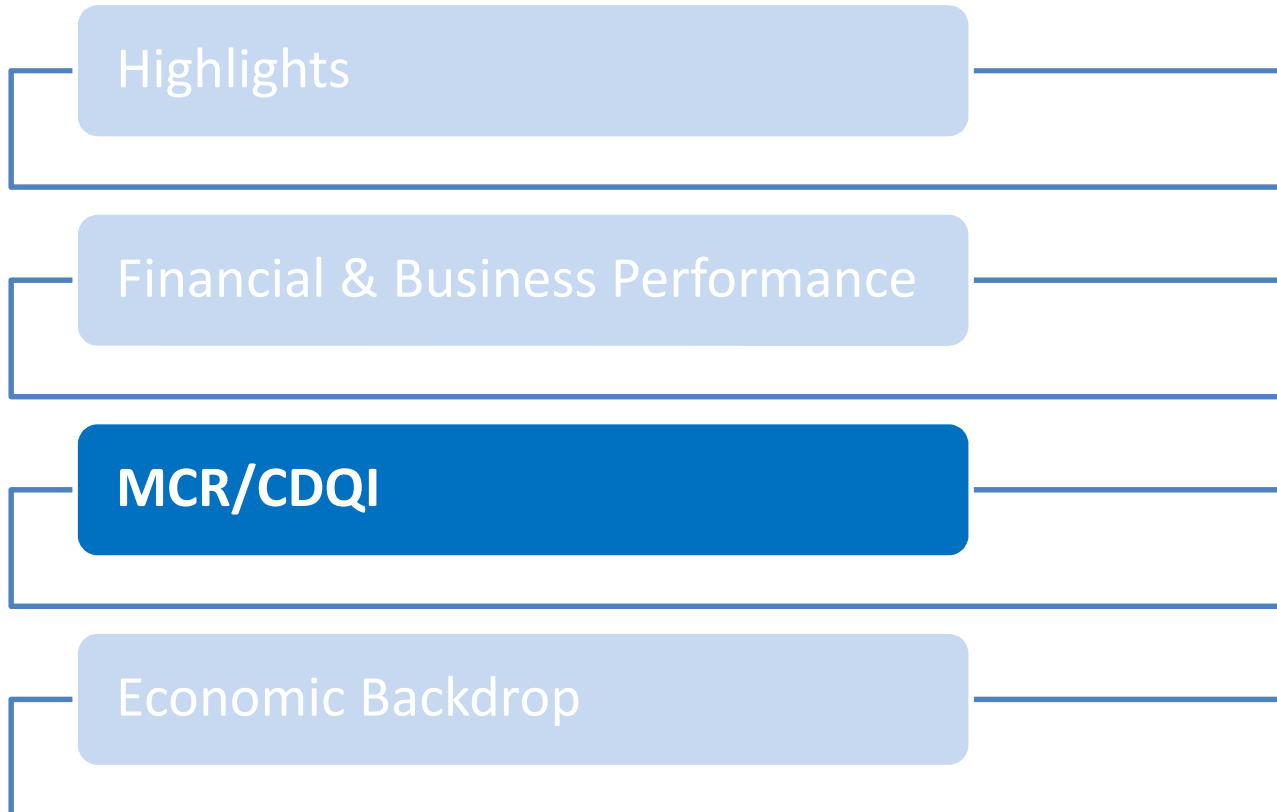


Q1 FY21 PBT margin & PAT margin fell due to lower income (as CARE Ratings has witnessed a impact of COVID-19 and the consequent lockdown announced affecting the operations of most entities and lower borrowing by the NBFC & other sector & muted Capex of the corporate sector)

# Business Performance : Q1 FY21



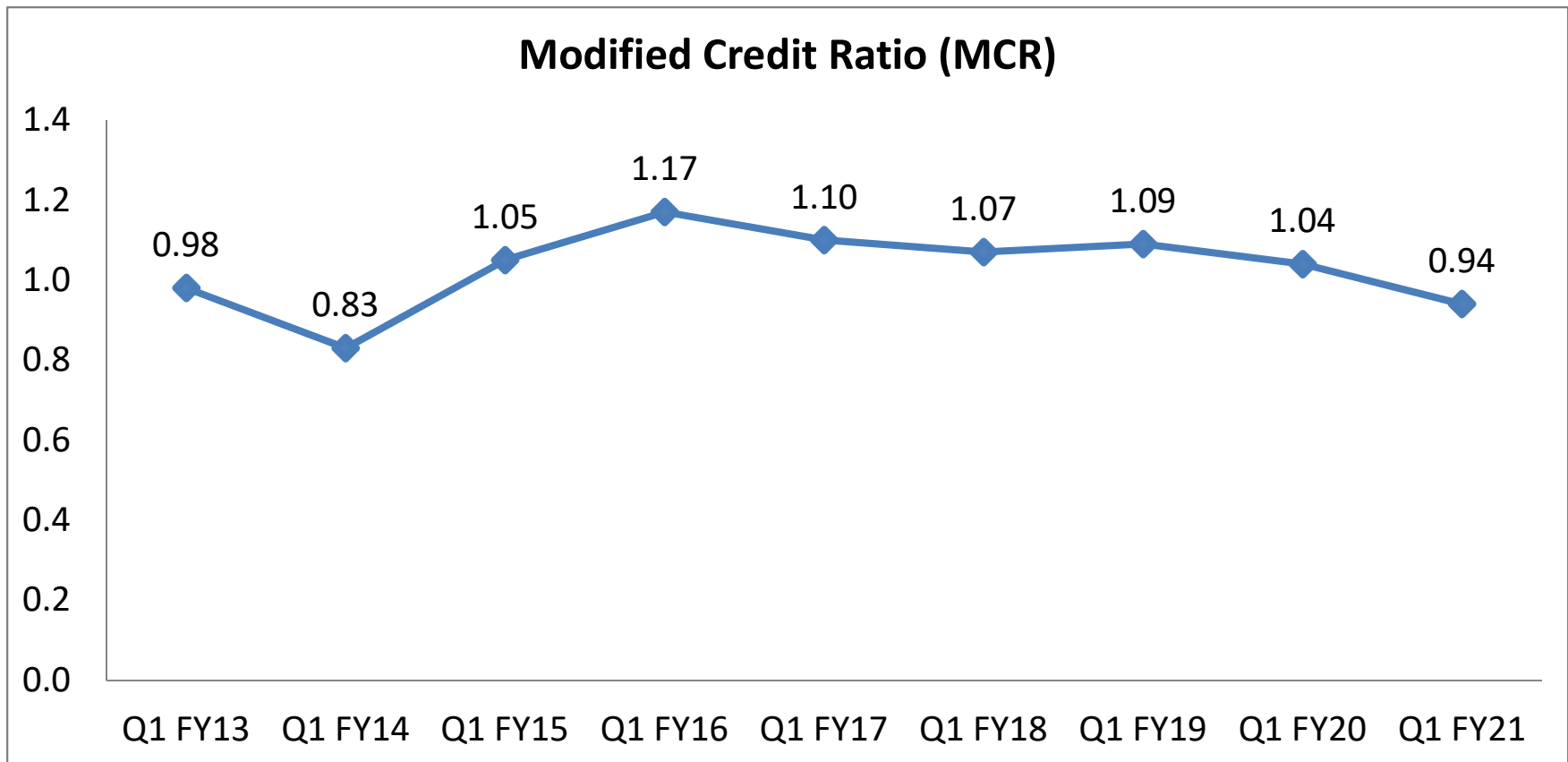
# Contents



- Highlights
- Financial & Business Performance
- MCR/CDQI**
- Economic Backdrop

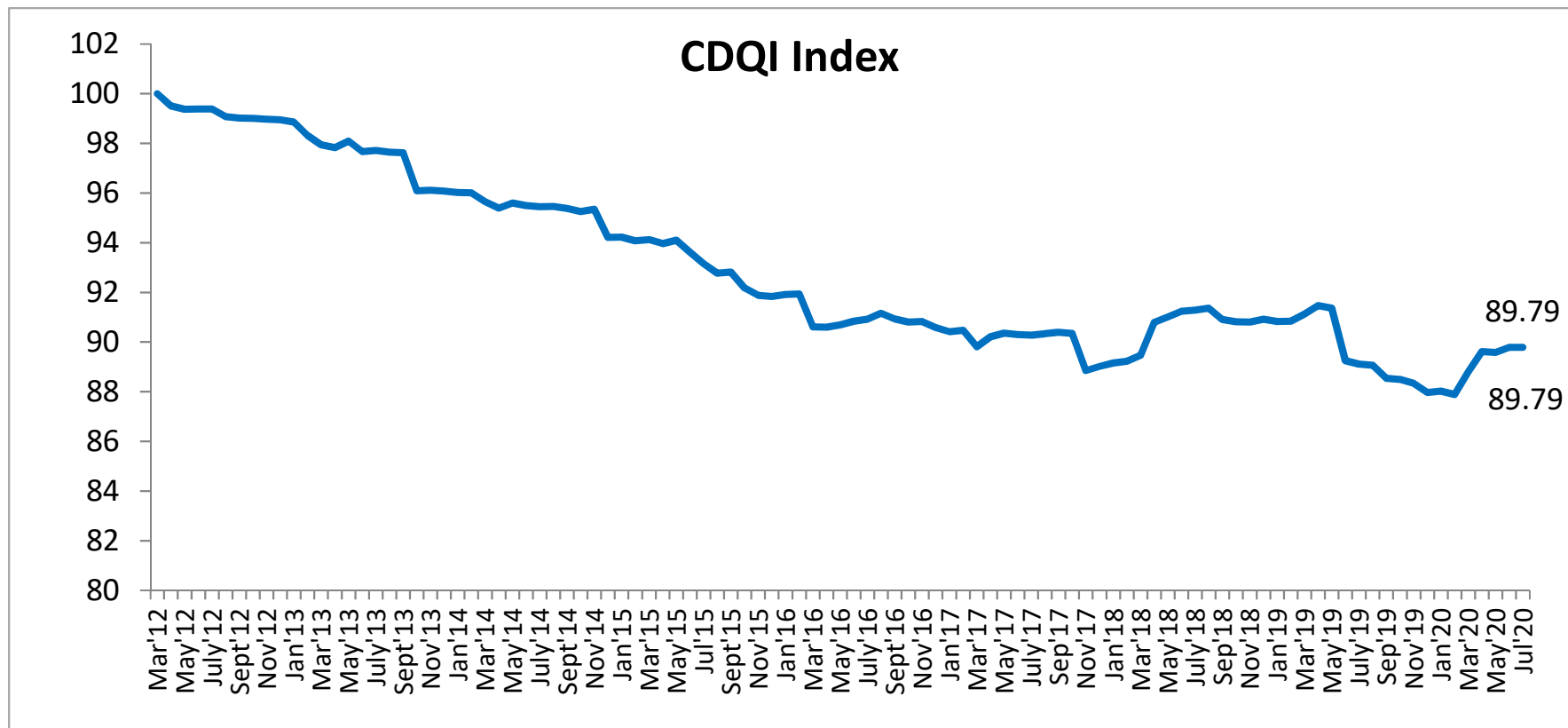
# Rating Movement

The credit profile of entities rated by CARE Ratings has witnessed a perceptible moderation in the current financial year triggered mainly by COVID-19 and the consequent lockdown announced affecting the operations of most entities. The credit quality of the rated entities as measured by CARE Rating’s ‘modified credit ratio’ (MCR) declined to a 26 quarter low in Q1 2020-21.

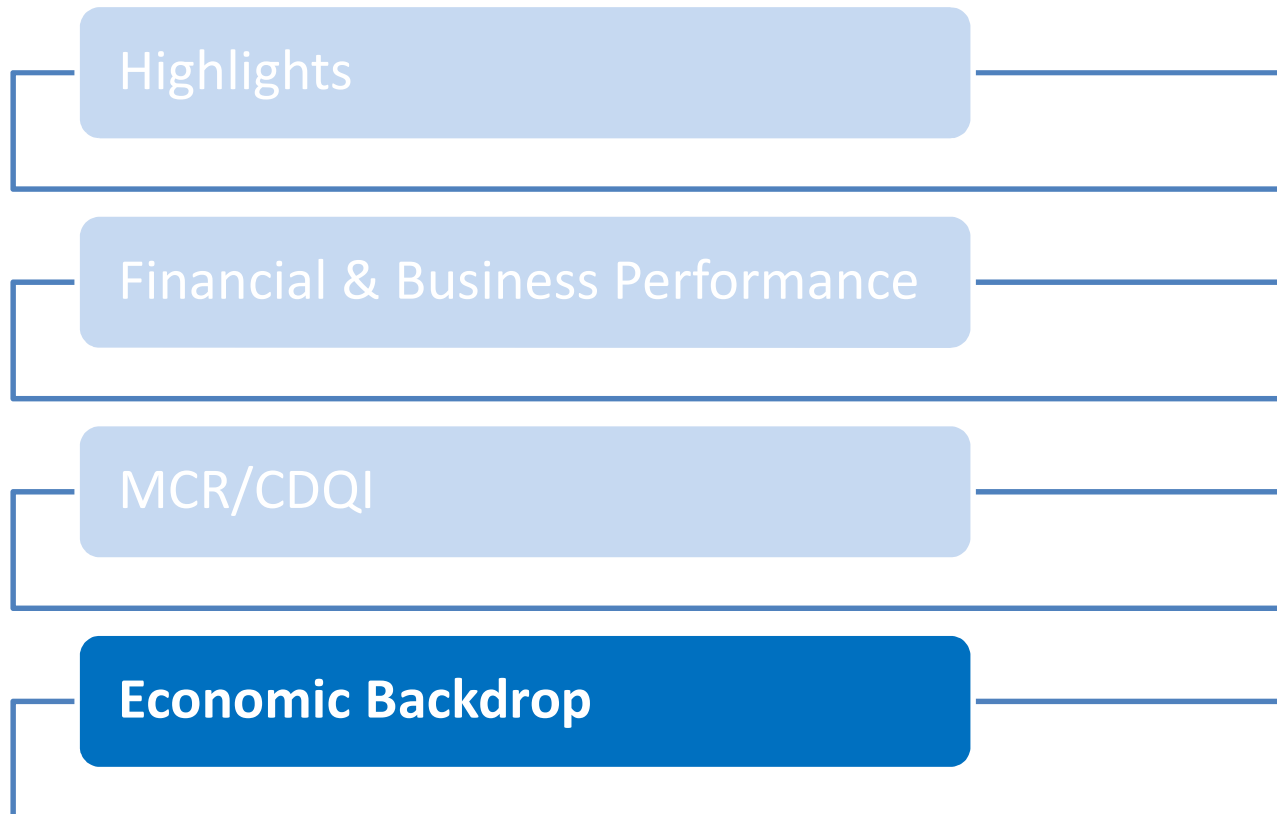


# CARE Ratings Debt Quality Index (CDQI)

The index has seen a notable increase in April'20 on account of enhancements in rated debt of high rated entities while it remained almost stable in May 2020 at 89.58. CDQI increased by 0.20 points in June 2020 on account of enhancements in rated debt of high rated entities and few ratings moving from default grade to non-default category on improvement in the liquidity of those companies. In July 2020, it remained unchanged at the previous month's level.

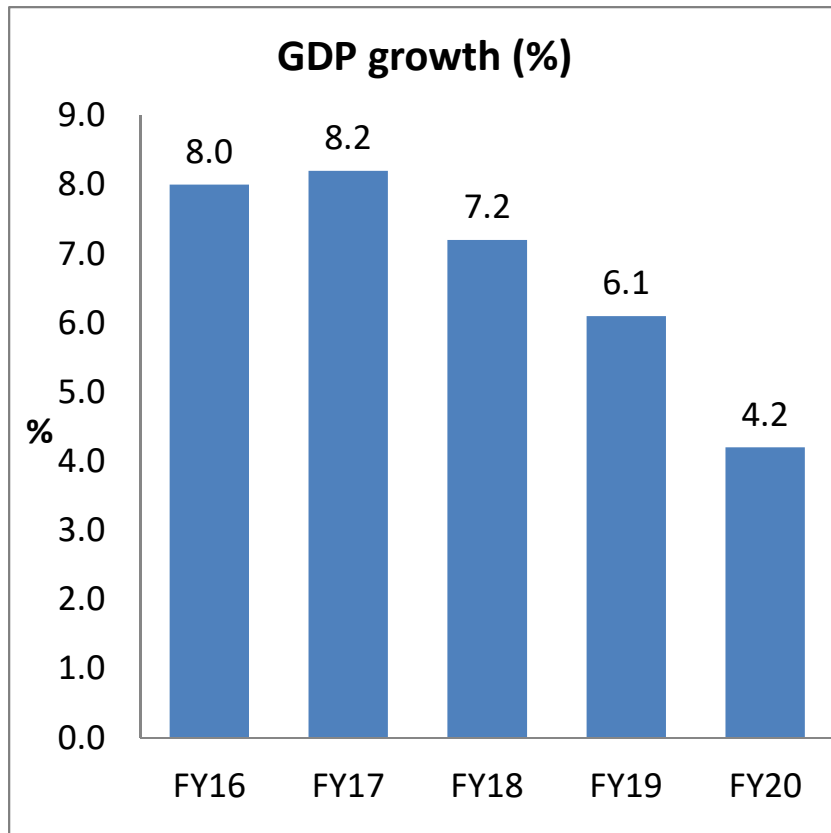


# Contents

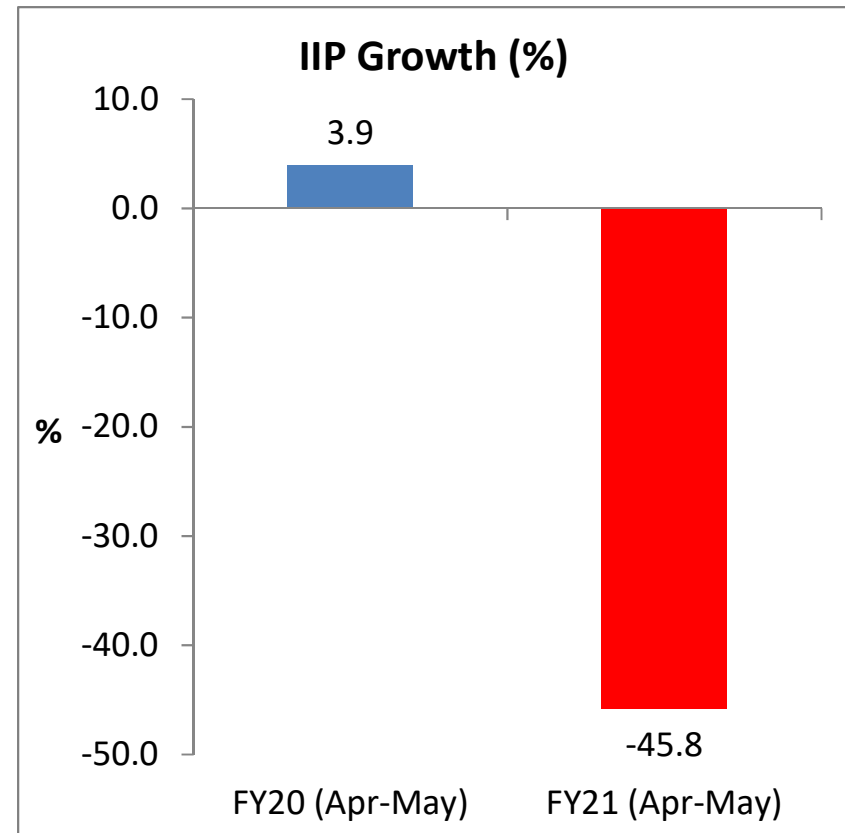


Highlights	
Financial & Business Performance	
MCR/CDQI	
<b>Economic Backdrop</b>	

# Economic Growth and Industrial Output



Source: MOSPI

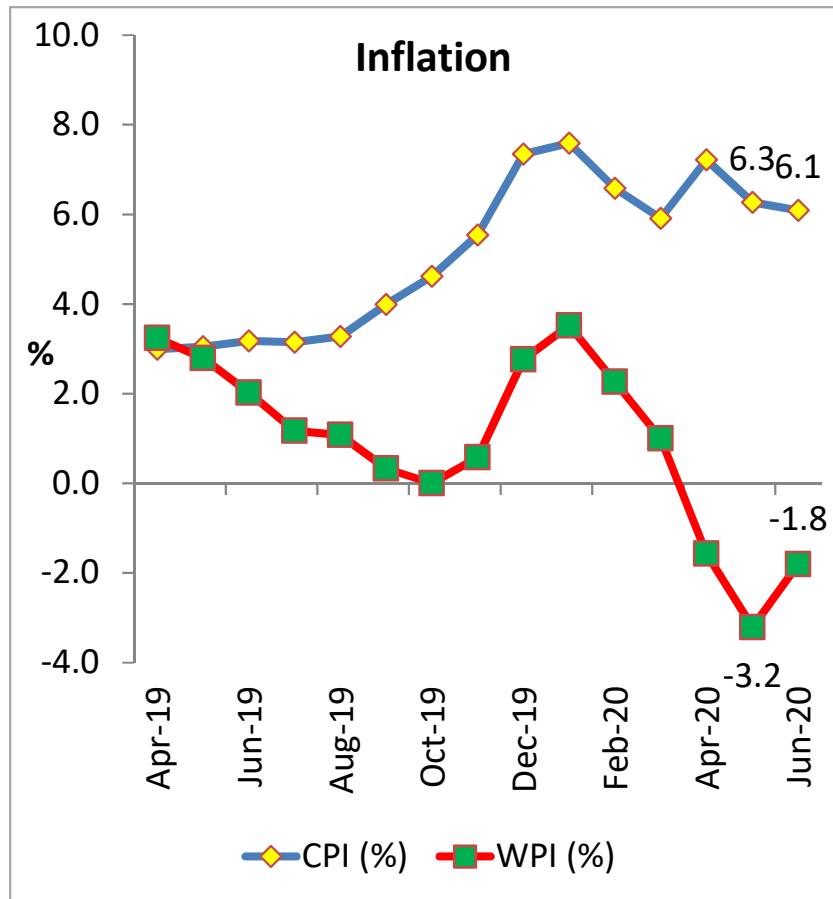


Source: MOSPI

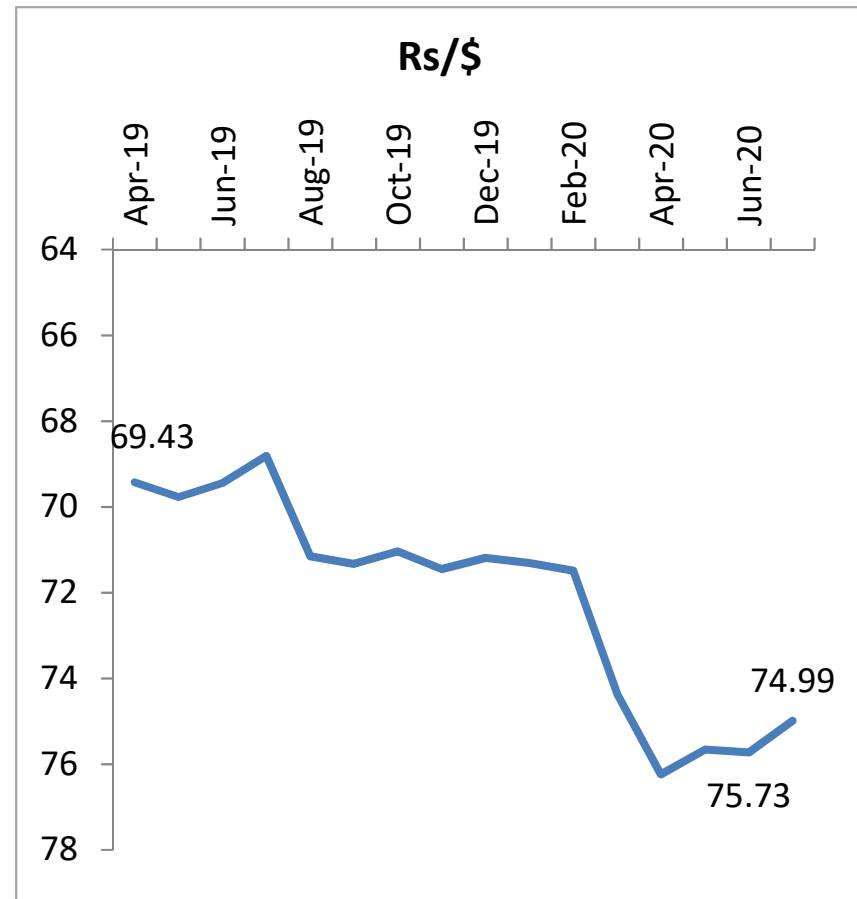
Our estimate for FY21 – Contraction in real GDP growth by 6.4%



# Inflation and Exchange Rate

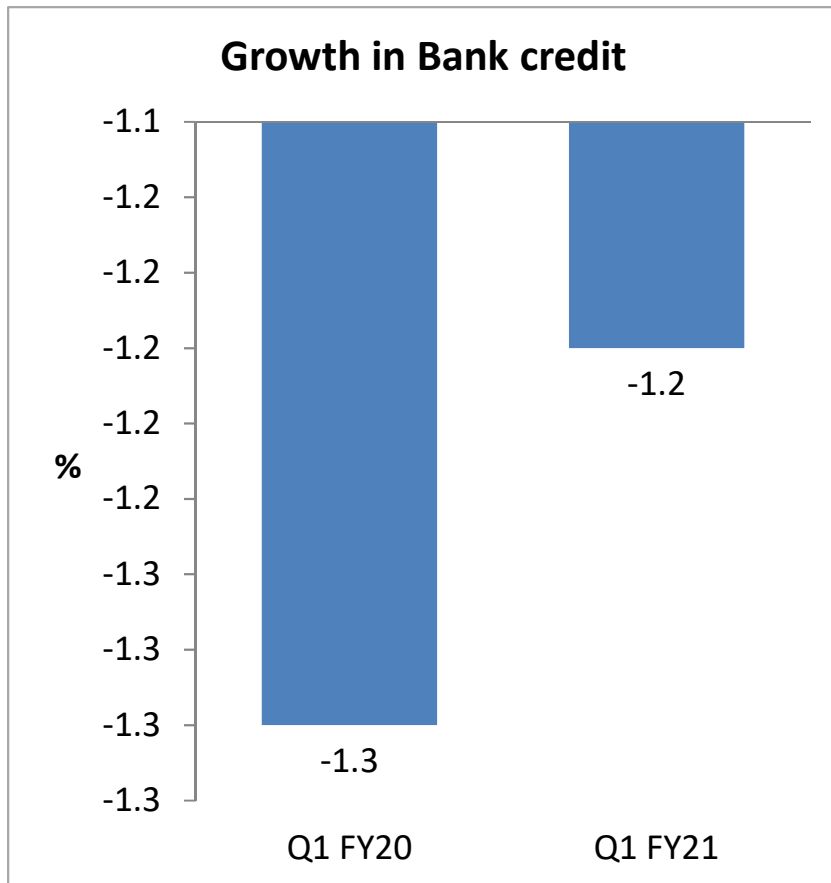


Source: MOSPI

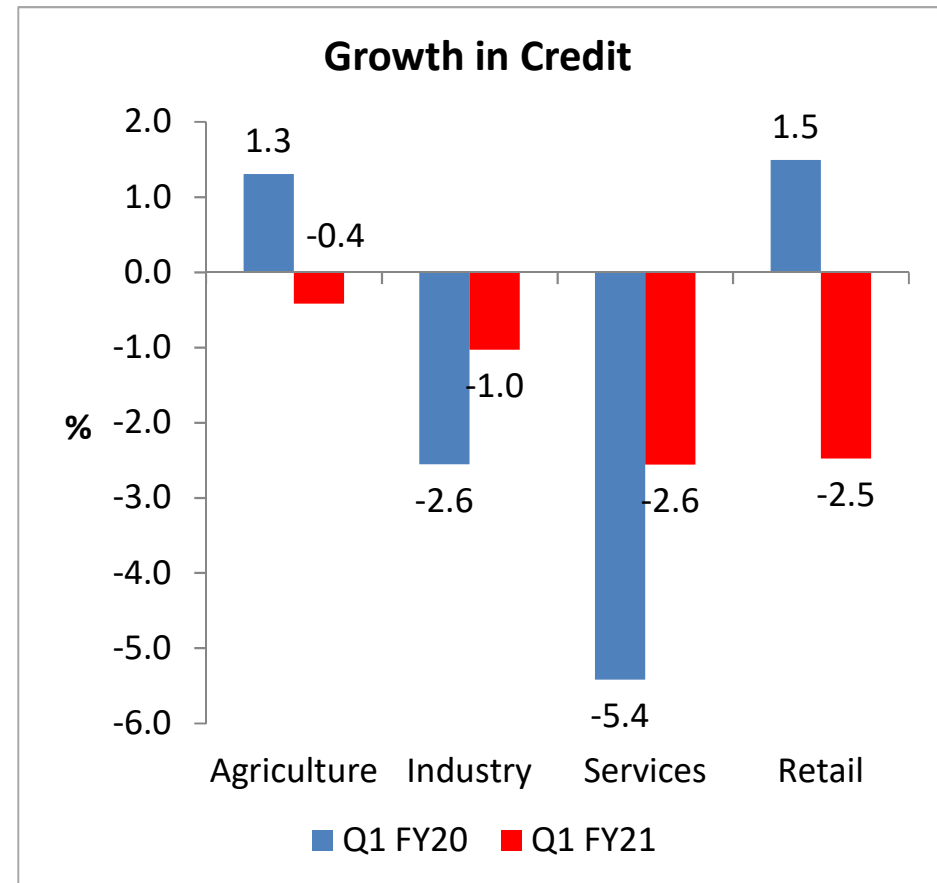


Source: RBI

# Bank Credit

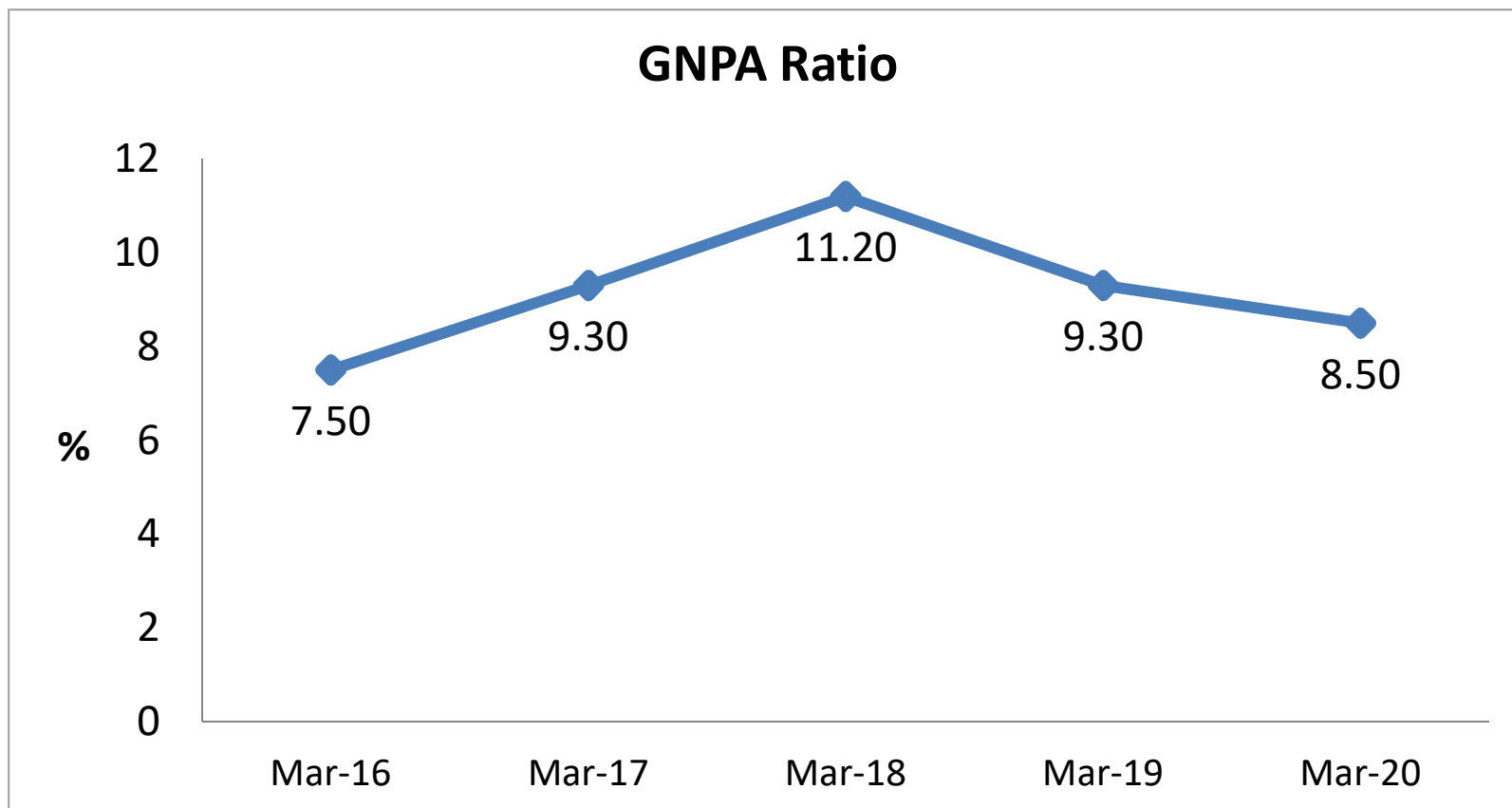


Source: RBI



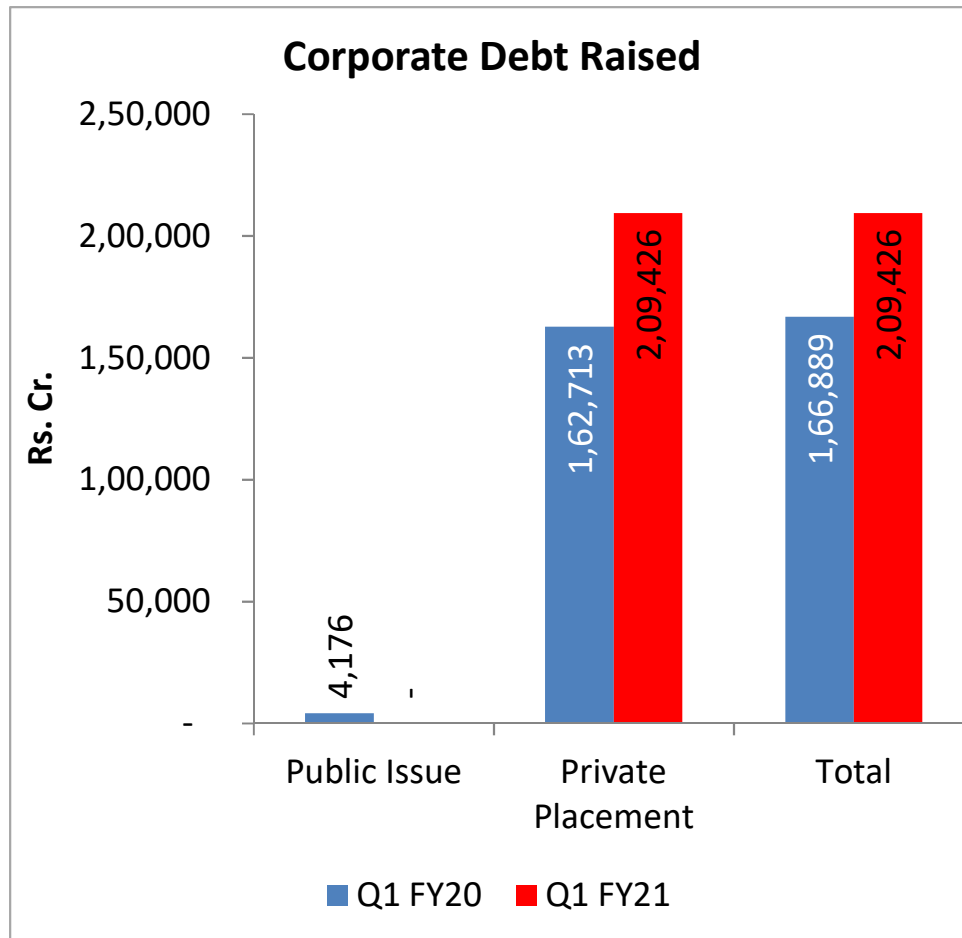
Source: RBI

## Non-Performing Assets



Note: Gross NPAs as a percentage of gross advances  
Source: RBI

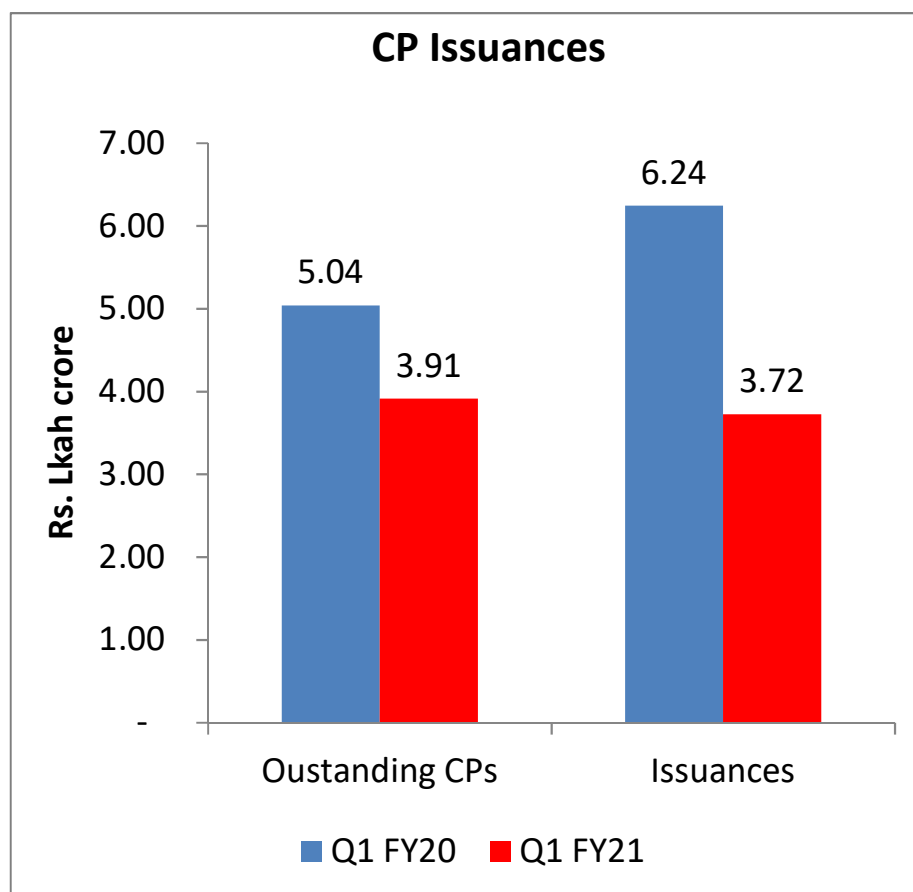
# Corporate Bond Issuances



Source: SEBI

- During the first quarter, majority of the corporate bond issuances are raised by the financial sector (57% share)
  - Banks/term lending (28%), financial services/investment (16%), housing finance (13%)
- Some of the other main sectors pertained to
  - Power generation and supply (8%)
  - Roads and highways (3% share)
  - Iron and steel (3%)
  - Real estate (3%)
  - Auto (2%)

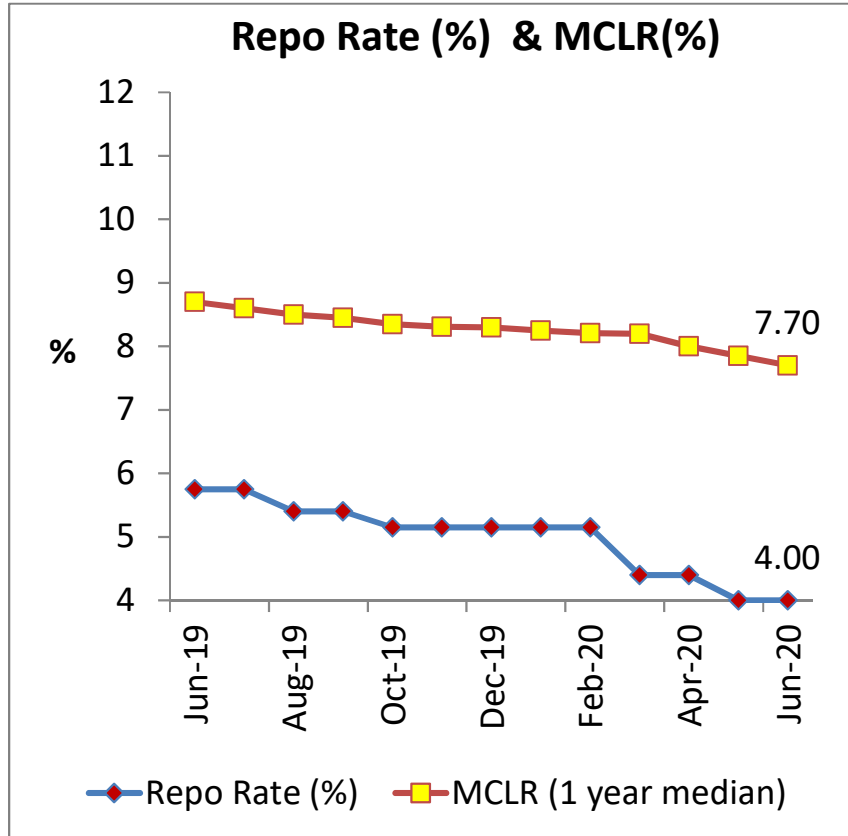
# Commercial Paper



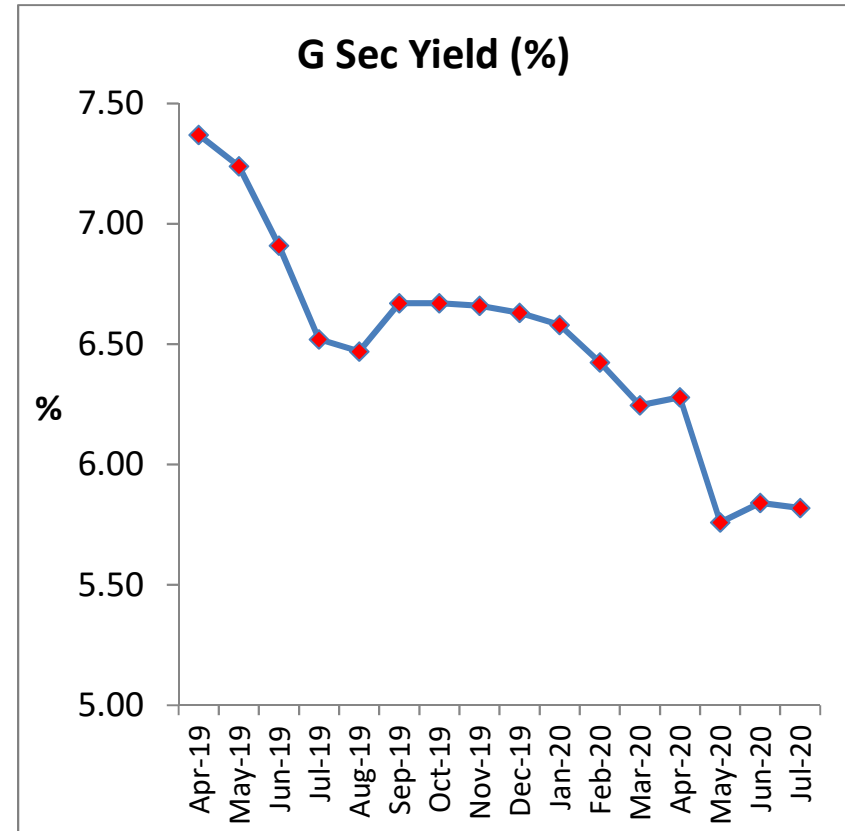
Source: RBI

- Within the total CP issuances during the quarter, the highest issuances were raised by oil exploration and refineries (25%) followed by banking/term lending (14%) and power (12%)
- Some of the other sectors pertained to
  - Financial services (11%)
  - Telecom (10%)
  - Housing Finance (6%)
  - Fertilizers (3%)
  - Textiles (2%)
  - Cement (1%)
  - Construction (1%)
  - Iron and steel (1%)

# Interest Rate and GSec yields



Source: RBI



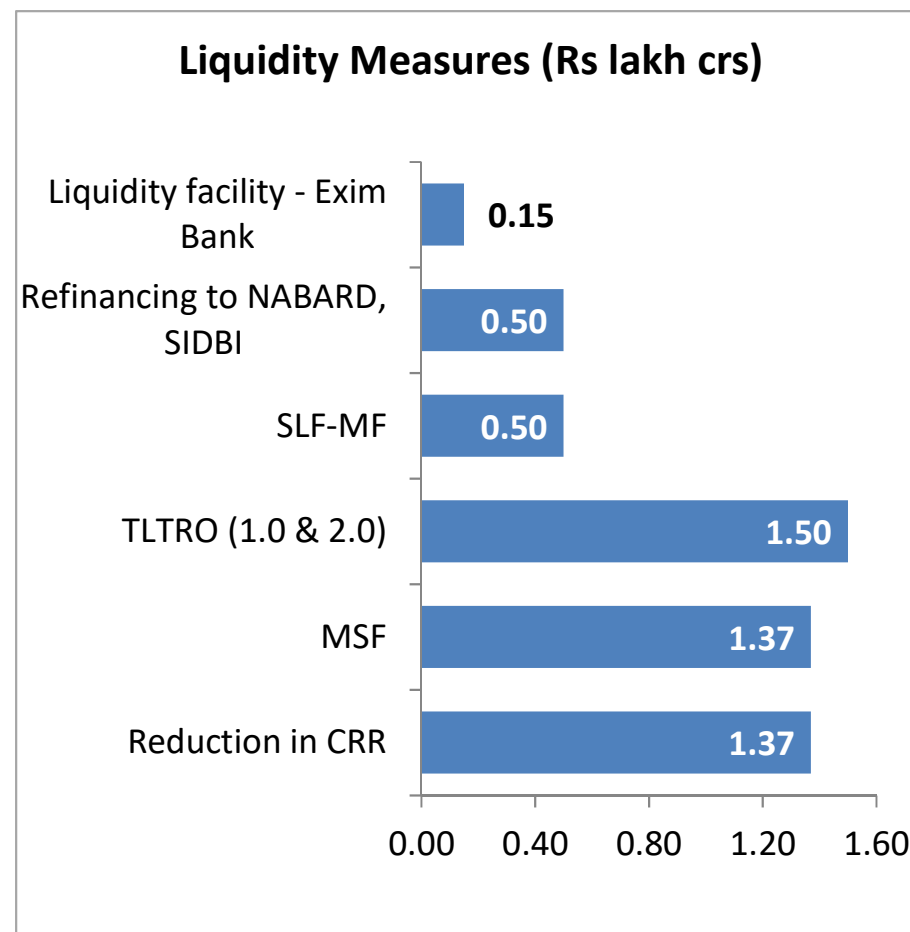
Source: FIMMDA

## Central Govt.'s Rs. 20 lakh cr stimulus package

Announcements	Amount (Rs crs)
PM Garib Kalyan Yojana	1,70,000
Spending on health sector	15,000
Support for MSMEs (Credit Guarantee)	3,70,000
EPF relaxation	9,250
NBFC/HFC/MFI liquidity (Credit guarantee)	30,000
Partial credit scheme for NBFCs	45,000
Funds to discoms (through PFC and REC)	90,000
Tax relaxation	50,000
Free food to migrants	3,500
Interest subvention on Mudra loans	1,500
Special credit line for street vendors	5,000
Credit Linked Subsidy Scheme for housing	70,000
Agri – Loans (KCC*, NABARD)	2,30,000
Infra to agri and allied	1,50,000
Social infrastructure	8,100
MGNREGA	40,000
<b>Total</b>	<b>12,95,150</b>

# RBI measures

Repo Rate	• 115 bps cut to 4%
Reverse Repo Rate	• Cut by 155 bps
Loan Moratorium	• For 6 months
LCR	• Reduced to 80%
CRR	• 100 bps cut to 3% of NDTL
NPA	• 6 months extension for resolution plan
State Govt.	• WMA limit – 60%
State Govt.	• CSF withdrawal limit relaxed





**Thank you**