CARE Ratings Ltd — FY 2026 Annual Report Analysis

Annual Report Analysis (Consolidated)

Source: CRORES. All figures Crores. Pipeline: v5-Gemini — W1a → W3 → W1b+W2+W2F (parallel, notes-injected) → Merge.

Investor Snapshot

#	Analytical Point	Sentiment
1	**Dominant domestic ratings player with a 58% ESG market share, successfully pivoting to a "Global South" financial intelligence model across 45 countries.**	□
2	**Revenue grew 17.6% YoY to □473 Cr, driven by a 43.5% surge in international revenue (□42.6 Cr) and strong domestic demand.**	□
3	**Operating margins expanded from 39% to 42% as revenue growth outpaced employee cost increases (13.6%), demonstrating significant operating leverage.**	□
4	**Adjusted PAT rose 25% to □174 Cr, though earnings quality is partially diluted by a high 23.3% PBT contribution from treasury income.**	□
5	**Maintains a fortress balance sheet with zero external debt and a massive liquidity buffer of □711 Cr held in fixed deposits.**	□
6	**Cash flow generation remains robust with CFO of □148 Cr and FCF of □140 Cr, supporting a consistent 39% dividend payout ratio.**	□
7	***Capital flexibility is severely constrained by a Madras High Court injunction, effectively trapping over 500 Cr in cash and preventing asset transfers.***	□
8	**High collection efficiency evidenced by receivables growth of 9.2% lagging revenue growth, resulting in a lean 27-day cash conversion cycle.**	□
9	***Advisory segment shows stress with a 62.6% loss allowance (7.44 Cr) on contract assets, alongside impairment risks in aged intangible assets.***	□
10	**Governance profile strengthened by 77.8% board independence and institutional validation via ~10% equity stakes from SBI and NSE IX.**	□
11	***Regulatory friction persists as evidenced by an enhanced 1.00 Cr SEBI penalty and ongoing adjudication proceedings regarding rating assignments.***	□
12	**Stance is ACCUMULATE; key monitorables include the resolution of the legal deadlock and international revenue scaling toward a □75 Cr threshold.**	□

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1. BUSINESS OVERVIEW (In Bullet Points)

- **Business Segments:** Primarily operates in Credit Ratings (96% of standalone revenue), with growing presence in Advisory Services, ESG Ratings, and FinTech-led Analytics via subsidiaries.
- **Revenue Drivers:** Core growth is driven by domestic bank credit expansion (16.1% growth), REITs/InvITs, and Structured Finance; emerging drivers include sovereign ratings and global expansion.
- **Cost Drivers:** Employee benefits are the primary overhead (45.38% of sales), followed by technology investments (2.08% of revenue) and professional fees.

- **Industry Position:** Holds a dominant 58% market share in the nascent Indian ESG rating market and is a top 10 global sovereign rating agency (excluding Chinese domestic players).
- **Expansion Plans:** Aggressive "offensive" posture through **CareEdge Global** (GIFT City), scaling coverage to 45 countries (85% of global GDP) to challenge the Western rating triad.
- **Acquisitions & Partnerships:** Strategic equity stakes (~10% each) taken by **State Bank of India (SBI)** and **NSE IX** in the Global subsidiary, providing quasi-sovereign institutional validation.
- **Capacity Additions:** Transitioning from labor-intensive advisory to scalable SaaS-like models with the launch of **EdgeAvira.ai** (GenAI-powered risk solutions).
- **Segment Performance:** Core Ratings remain robust; CareEdge Global shows high potential; ESG Ratings are dominant; Analytics/FinTech is in a speculative transition phase.
- **Geographical Presence:** 91% of revenue is derived from India (₹430.52 Cr), but revenue from outside India surged 43.48% to ₹42.55 Cr in FY26.

2. MANAGEMENT COMMENTARY & OUTLOOK

- Management has transitioned from a "stabilization" phase to an aggressive "offensive" posture, institutionalizing the **CareEdge Global** brand to break the S&P/Moody’s/Fitch triad.
- The strategy emphasizes "Quality-Led Growth" over price competition, specifically in the Indian bank loan rating (BLR) market, to protect brand "analytical rigour."
- Repositioning the Analytics subsidiary as a "FinTech entity" through **EdgeAvira.ai** to achieve high-margin, scalable revenue models.
- Management claims >70% technology adoption across the organization to decouple headcount growth from revenue growth.
- Strategic alignment with national goals such as "Net Zero 2070" and "Viksit Bharat 2047" to capture government-led infrastructure and ESG mandates.
- The entry of **SBI** and **NSE** as shareholders in the Global business is viewed as a game-changer for long-term credibility and valuation.
- MD remuneration growth has moderated to 18% (from 81% in FY25), signaling a response to shareholder scrutiny regarding executive pay.
- Board "fresh blood" (Rajiv Bansal, Indrani Banerjee, Bimal Patel) has been introduced to oversee the transition into global markets and AI-led analytics.
- The "Professional Management" structure (no promoter) is highlighted as a qualitative asset for neutrality in sovereign ratings.
- Management Tone: The tone has shifted from "cautious optimism" to "assertive conviction." While the "Global South" narrative and institutional backing from SBI/NSE provide a strong strategic tailwind, management remains focused on navigating "zombie risks" like the Madras High Court injunction and regulatory friction. The verdict is a **"Strategic Re-rating in Progress"** as the company evolves into a diversified financial intelligence group.

3. FINANCIAL ANALYSIS

3.1 Financial Statements

Source: Screener.in — all monetary values in Crores. Use these numbers directly.

P&L Statement (□Crores)

Line Item	Mar 2026	Mar 2025
Sales -	473.00	402.00
Sales Growth %	17.59	21.30
Expenses -	276.00	247.00
Manufacturing Cost %	0.00	1.10
Employee Cost %	45.38	47.26
Other Cost %	12.89	13.03
Operating Profit	197.00	155.00
OPM %	42.00	39.00
Other Income -	55.00	51.00
Exceptional items	0.00	0.00
Other income normal	55.00	51.00
Interest	2.00	2.00
Depreciation	14.00	12.00
Profit before tax	235.00	192.00
Tax %	26.00	27.00
Net Profit -	174.00	140.00
Minority share	-3.00	-3.00
Exceptional items AT	0.00	0.00
Profit excl Excep	174.00	140.00
Profit for PE	171.00	137.00
Profit for EPS	171.00	137.00
Profit Growth %	25.00	37.00
EPS in Rs	56.97	45.85
Dividend Payout %	39.00	39.00

Balance Sheet (Crores)

Line Item	Mar 2026	Mar 2025
Equity Capital	30.00	30.00
Reserves	902.00	776.00
Borrowings -	26.00	24.00
Lease Liabilities	26.18	23.76
Other Borrowings	0.00	0.01
Other Liabilities -	146.00	128.00
Non controlling int	11.00	9.00
Trade Payables	15.00	15.00
Advance from Customers	0.00	0.00
Other liability items	121.00	103.00
Total Liabilities	1,105.00	958.00
Fixed Assets -	128.00	119.00
Building	0.00	77.07
Equipments	0.00	6.08
Computers	0.00	15.03
Furniture n fittings	0.00	12.20
Vehicles	0.00	2.78
Intangible Assets	23.23	7.95
Other fixed assets	0.00	35.73
Gross Block	0.00	156.84
Accumulated Depreciation	0.00	37.63
CWIP	0.00	3.00
Investments	87.00	134.00
Other Assets -	890.00	702.00
Trade receivables -	35.00	32.00
Receivables over 6m	0.00	5.53
Receivables under 6m	0.00	30.41
Prov for Doubtful	0.00	-3.85
Cash Equivalents	129.00	97.00
Loans n Advances	234.00	8.00
Other asset items	492.00	565.00
Total Assets	1,105.00	958.00

Cash Flow Statement (□Crores)

Line Item	Mar 2026	Mar 2025
Cash from Operating Activity -	148.00	123.00
Profit from operations	198.00	162.00
Receivables	0.00	0.00
Payables	0.00	0.00
Operating Deposits	0.00	0.00
Other WC items	14.00	12.00
Working capital changes	14.00	12.00
Direct taxes	-64.00	-51.00
Cash from Investing Activity -	-94.00	-58.00
Fixed assets purchased	-8.00	-15.00
Fixed assets sold	0.00	0.00
Investments purchased	-360.00	-89.00
Investments sold	411.00	3.00
Investment income	0.00	0.00
Interest received	105.00	48.00
Dividends received	0.00	0.00
Other investing items	-242.00	-6.00
Cash from Financing Activity -	-59.00	-54.00
Proceeds from shares	7.00	4.00
Interest paid fin	-2.00	-2.00
Dividends paid	-58.00	-55.00
Financial liabilities	-5.00	-1.00
Other financing items	0.00	0.00
Net Cash Flow	-6.00	11.00
Free Cash Flow	140.00	108.00
CFO/OP	107.00	112.00

Key Ratios (□Crores)

Line Item	Mar 2026	Mar 2025
Debtor Days	27.00	29.00
Inventory Days	0.00	0.00
Days Payable	0.00	0.00
Cash Conversion Cycle	27.00	29.00
Working Capital Days	332.00	451.00
ROCE %	26.00	25.00

3.2 Financial Analysis Summary

- **Revenue** grew by **17.59%** YoY to **₹473.00 Cr**, primarily driven by **Rating income** (₹423.37 Cr) and a significant **43.48%** surge in **Revenue** from outside India (₹42.55 Cr), which is reflected in the stable **Trade Receivables** of **₹35.00 Cr**.
- **Operating Profit** margins (**OPM %**) expanded from **39.00%** to **42.00%** as **Revenue** growth outpaced the **13.63%** increase in employee costs, demonstrating positive operating leverage where **Employee Cost %** reduced from **47.26%** to **45.38%** of **Sales**.
- **Net Profit** increased by **25.00%** to **₹174.00 Cr**, supported by **Other Income** of **₹55.00 Cr** (**23.3%** of **Profit before tax**), which consists of treasury income from **₹711.17 Cr** in FDs and is evidenced by **₹105.00 Cr** of **Interest received** in the **CFO**.
- **Trade Receivables** ageing remains healthy with **83.8%** (**₹32.68 Cr**) under 6 months, contributing to a superior **Cash Conversion Cycle** of **27 days** and ensuring **Revenue** growth is backed by cash, as seen in the **CFO** of **₹148.00 Cr**.
- The **Balance Sheet** remains effectively debt-free with **Total Debt** consisting only of **Lease Liabilities** (**₹26.18 Cr**), resulting in a negligible **Debt / Equity** of **0.03** and an exceptionally high **Interest Coverage** of **118.50x**.
- **Working Capital** efficiency is highlighted by **Trade Receivables** growing only **9.19%** against **17.58% Revenue** growth, although there is a high **62.6%** loss allowance (**₹7.44 Cr**) on **Contract Assets** (**₹11.88 Cr**), signaling recovery risks in unbilled revenue.
- **Capital Allocation** is heavily skewed towards treasury, with **₹228.09 Cr** shifted into long-term FDs and **Investments purchased** of **₹360.00 Cr**, while core **Capex** remained modest at **₹8.00 Cr**, leading to a robust **Free Cash Flow** of **₹140.00 Cr**.
- **Intangible Assets** increased to **₹23.23 Cr**, including **Goodwill** of **₹7.95 Cr** and rising **Intangible Assets Under Development** (**₹5.32 Cr**), which must be monitored for future **Depreciation** impact or potential impairments.
- **Return Metrics** are strong with **ROCE %** improving to **26.00%** and **ROE %** at **18.67%**, driven by high **PAT Margin %** (**36.79%**) and efficient asset utilization, even as **Total Assets** rose to **₹1,105.00 Cr**.
- **Cash Flow** quality is high with a **CFO / PAT** ratio of **0.85**, and the company remains entirely self-funding, utilizing its **FCF** to pay **₹58.00 Cr** in **Dividends**, maintaining a consistent **39.00% Dividend Payout %**.
- **Other Assets** are dominated by **Fixed Deposits** (₹711 Cr), with a massive shift of **₹228 Cr** into long-term maturities (>12 months), suggesting a lack of immediate M&A or large-scale **Capex** needs.
- **Other Expenses** include **Professional Fees** (₹11.81 Cr) and **Technology Costs** (₹9.82 Cr); notably, **Legal Expenses** spiked **59.78%** due to ongoing regulatory and court proceedings.
- **Other Liabilities** are impacted by **Contract Liabilities** (₹39.35 Cr), which represent advance billings for surveillance and serve as a lead indicator for future **Revenue**.
- **Overall Synthesis:** CARE Ratings demonstrated a year of high-quality growth characterized by **17.59% Revenue** expansion, significant margin improvement through operating leverage, and a fortress-like **Balance Sheet** with zero external debt and **₹711 Cr** in cash/FDs, ensuring sustainable **Free Cash Flow** and superior **ROCE** despite a heavy reliance on treasury income.

3.3 Contingent Liabilities & Commitments

- **Service Tax Liability:** ₹0.39 Cr (under appeal).
- **Provision for Adjudication Proceedings:** ₹1.00 Cr (Note 31B), signaling regulatory scrutiny on past rating assignments.
- **Capital Commitments:** ₹2.38 Cr (Net of advances).
- **Bank Guarantees:** ₹1.38 Cr.

- **Legal Restriction:** A material restriction exists where the Holding Company requires Madras High Court permission to transfer or sell assets due to ongoing litigation with 63 Moons Technologies (Note 2).

3.9 Earnings Quality & Forensic Checks

#	Check	Impact	Status	Evidence	Notes Detail
1	PAT vs CFO trend	Profit ↓ — treasury income reliance; □55 Cr other income inflates PAT without operating cash inflow.	□	PAT □174 Cr vs CFO □148 Cr.	Note 28: Other income is 23.3% of PBT, primarily from treasury investments.
2	Receivables & channel-stuffing signal	Revenue ↑ — high collection quality; receivables grew 9.2% while revenue expanded by 17.6%.	□	Receivables □35 Cr (FY26) vs □32 Cr (FY25).	Note 10: 83.8% of receivables are under 6 months; no inventory held.
3	Revenue timing (unbilled/contract assets)	Revenue ↑ — strong visibility; □38.7 Cr contract liabilities represent advance billings for future surveillance.	□	Contract Liabilities □38.69 Cr; Unbilled □11.88 Cr.	Note 25(g): Contract liabilities act as a lead indicator for future revenue realization.
4	Revenue from related parties %	Neutral — clean operations; zero trade receivables reported from related parties for core business.	□	Related Party Receivables: □0.00.	Note 10/34: Arms-length transactions; no material revenue concentration.
5	Inventory vs revenue growth	Neutral — service model; zero inventory eliminates risks of valuation manipulation.	□	Inventory: □0.00 (FY26 and FY25).	Service sector profile; revenue driven by ratings and advisory fees.
6	Inventory valuation method change	Neutral — consistent policy; no inventory held, ensuring no impact from valuation shifts.	□	Inventory: □0.00.	Accounting Policy: No inventory-related accounting changes reported.
7	Exceptional items in operating profit	Neutral — high earnings purity; zero exceptional items reported in P&L for both years.	□	Exceptional Items: □0.00.	P&L Statement: Operating profit is free from one-off non-recurring gains/losses.
8	Depreciation rate vs useful life policy	Profit ↓ — conservative tech amortization; software written off over 3-5 years reflects rapid obsolescence.	□	Depreciation □14 Cr; Software □23.23 Cr.	Note 1.3(i): Buildings 30-60 years; Computer software 3-5 years (accelerated).
9	Provision reversals boosting PAT	Profit ↑ — negligible impact; provision for doubtful debts remains steady with minimal reversals.	□	Provision for debts: □0.25 Cr (FY26).	Note 30: No significant provision reversals used to artificially boost current year PAT.
10	Tax rate consistency	Profit ↓ — conservative tax accounting; cash tax paid (□64 Cr) exceeds P&L provision (□61 Cr).	□	Tax Rate 26%; Cash Tax □64 Cr.	Note 36: Effective tax rate of 26.2% aligns with statutory corporate tax rates.
11	CWIP age and stalling projects	Profit ↓ — potential impairment risk; □3.25 Cr of intangible development is aged 1-2 years.	□	CWIP □0 Cr; Intangibles under dev □5.32 Cr.	Note 3(d): Ageing schedule shows 61% of development projects are over one year old.
12	Deferred tax asset recognition adequacy	Neutral — standard compliance; deferred tax movements are consistent with timing differences.	□	Tax %: 26.00 (FY26) vs 27.00 (FY25).	Note 36: No aggressive recognition of deferred tax assets on carry-forward losses.
13	RPT quantum and trend	Profit ↓ — rising overheads; KMP compensation increased 21.9%, outpacing the 17.6% revenue growth.	□	KMP Remuneration: □9.57 Cr vs □7.85 Cr.	Note 34(B): MD & CEO remuneration grew 23.2% YoY; commission paid to LIC.
14	Dividend paid vs FCF adequacy	Neutral — strong solvency; □58 Cr dividend payout is comfortably covered by □140 Cr FCF.	□	Dividend □58 Cr; FCF □140 Cr.	Cash Flow: Dividend payout ratio of 39% is sustainable given the debt-free status.

#	Check	Impact	Status	Evidence	Notes Detail
15	Auditor KAM: Revenue Recognition	Revenue ↑↓ — Timing and Estimation; assessment of "over-time" recognition using "input method" is a significant judgment area.	□	90.5% of revenue recognized over time.	Note 1.3(d): Management relies on estimates of progress which impact revenue cut-offs.
16	Auditor KAM: Impairment of Goodwill	Profit ↓ — Valuation Uncertainty; □7.95 Cr goodwill related to CARE Analytics tested using Level 3 inputs.	□	Goodwill □7.95 Cr.	Note 3(d): High estimation uncertainty regarding market multiples for analytics subsidiary.
17	Auditor KAM: Level 3 Investments	Profit ↑↓ — Valuation Subjectivity; unquoted equity (□25.58 Cr) in foreign agencies relies on unobservable inputs.	□	Level 3 Investments □25.58 Cr.	Note 34: Marketability discounts and unobservable inputs create valuation volatility.
18	Contract Asset Impairment	Profit ↓ — Collection Stress; 62.6% loss allowance on unbilled revenue indicates realization issues.	□	Loss Allowance □7.44 Cr on □11.88 Cr assets.	Note 15: High uncertainty in recovering unbilled amounts in the Advisory arm.

4. MANAGEMENT & GOVERNANCE

A. Auditor Report & Key Audit Matters - **Audit opinion type:** Unqualified Opinion. - **KAM 1: Revenue Recognition (Timing and Estimation):** The auditor identified the assessment of "over-time" recognition using the "input method" as a significant judgment area. Management relies on estimates of progress which could impact revenue cut-offs. - **KAM 2: Impairment of Goodwill:** Goodwill of □7.95 Cr related to CARE Analytics is tested using Level 3 inputs (fair value less costs to sell). High estimation uncertainty exists regarding market multiples. - **KAM 3: Valuation of Level 3 Investments:** Unquoted equity investments (□25.58 Cr) in foreign rating agencies rely on unobservable inputs and marketability discounts. - **Emphasis of Matter: Madras High Court Restriction.** Note 2 highlights that the Holding Company requires court permission prior to the sale or transfer of any assets due to ongoing litigation with 63 Moons Technologies. - **Auditor Fees:** Professional fees stood at □11.81 Cr (FY26) vs □11.84 Cr (FY25). Fees are stable and aligned with group complexity.

B. Related Party Transactions | Party | Relationship | Nature | Amount (Cr) | Concern | |:---|:---|:---|:---|:---| | **Mehul Pandya | MD & Group CEO | Remuneration | 6.69 Cr | Positive — growth trails profit | | Independent Directors | Board Members | Commission | 1.86 Cr | Positive — linked to performance** | | Independent Directors | Board Members | Sitting Fees | 0.97 Cr | Neutral | | Life Insurance Corp (LIC) | Shareholder/Director | Commission | 0.18 Cr | Neutral |

- **% of Revenue:** 2.02% (□Clean)
- **% of CFO:** 6.47% (□Clean)
- **Trend:** Total KMP pay rose from □7.85 Cr to □9.57 Cr.
- **Forensic Check: Zero** trade receivables from related parties (Note 10).
- **Verdict:** Clean □ Transactions are compensation-related and within statutory limits.

C. Shareholding - **Promoters:** 0.00% (Professionally managed). - **FIIs:** 21.45% | **DIIs:** 35.12% | **Public:** 43.43%. - **Pledged Shares:** 0.00%.

D. Board Composition + KMP Compensation - **Total Directors:** 9 | **Independent %:** 77.78% | **Women Directors:** 1 (Ms. Indrani Banerjee). - **KMP Compensation vs. Operating Profit (OP = □197.40 Cr): - Mehul Pandya (MD):** □6.69 Cr (23.2% YoY growth; 3.39% of OP) — □Aligned with 27.4% OP growth. - **Jinesh Shah (CFO):** □1.48 Cr (26.5% YoY growth; 0.75% of OP) — □ - ***Manoj Kumar CV (CS): □0.83 Cr (69.4% YoY***

growth; 0.42% of OP) — Disproportionate, likely full-year impact. - **Family Relations:** No KMPs share the same family name; no intra-family compensation disclosed.

F. Capital Allocation & Capex | Action | FY Current (Cr) | FY Prior (Cr) | % of CFO | Signal | |:---|---:|---:|---:|:---| | **Dividends | 58.00 Cr | 55.00 Cr | 39.19% | Positive** | | **Capex | 8.00 Cr | 15.00 Cr | 5.41% | Positive** | | **Investments (Financial) | 360.00 Cr | 89.00 Cr | 243.24% | Positive** | | ***Lease Liabilities*** | ***26.18 Cr*** | ***23.76 Cr*** | ***17.69%*** | ***Concern*** | | **Asset Sales | 0.00 Cr | 0.00 Cr | 0.00% | Neutral** | | ***Bad Debt Provision*** | ***0.25 Cr*** | ***2.68 Cr*** | ***0.17%*** | **Positive** |

CAPEX Analytical Notes: - **CFO Coverage of Capex:** CFO (□148 Cr) is **18.5x Capex** (□8 Cr), indicating elite self-funding capability. - **Nature of Capex:** Focus has shifted toward **Intangible Assets (□23.23 Cr)**, reflecting the "FinTech" pivot. - **Deployment Efficiency:** Revenue grew 17.6% while Fixed Assets remained stable, confirming high operating leverage. **Intangible Assets Under Development** increased to **□5.32 Cr**.

H. Risks - ***Legal Restriction (High):*** Madras High Court injunction on asset disposal restricts capital flexibility; any asset sale requires court permission. - ***Regulatory Penalty (High):*** SEBI penalty enhanced to **□1.00 Cr** regarding past ratings; creates reputational friction. - ***Contract Asset Risk (High):*** **62.6% impairment allowance** on unbilled revenue (□7.44 Cr) indicates realization stress in the Advisory arm. - **Market Intelligence (Medium):** Failure to anticipate early signs of financial stress could impair credibility. - **Other Income Dependency (Medium): 23.3% of PBT** derived from treasury income; earnings are sensitive to interest rate cycles. - **Geographic Concentration (Low):** 91% of revenue still derived from India.

5. SCORECARD & VERDICT

Part A: Scorecard

Dimension	Rating (1–5)	Delta	Key Evidence	One-line Rationale
Business Quality	4	→	58% ESG market share; 17.6% Rev growth	Strong domestic oligopoly with successful "Global South" pivot.
Financial Health	5	→	D/E 0.03x; CFO □148 Cr > PAT □174 Cr (adj)	Fortress balance sheet with □711 Cr cash and zero external debt.
Earnings Quality	4	↑	Receivables growth (9.2%) < Rev growth (17.6%)	High collection efficiency, though treasury income reliance is high.
Management & Governance	4	↑	MD pay growth (18%) < OP growth (27%)	Improved compensation alignment and institutional backing (SBI/NSE).
Capital Allocation & Earnings Visibility	4	→	FCF □140 Cr; 39% Div Payout	Efficient tech-led capex and high visibility from surveillance revenue.

BUSINESS POSITIVES (for this company this year) * □**Institutional Validation:** SBI and NSE IX taking ~10% stakes in CareEdge Global provides massive credibility for international expansion. * □**Operating Leverage: OPM %** expanded from 39% to 42% as revenue growth (17.6%) outpaced employee cost growth (13.6%). * □**Collection Efficiency: Trade Receivables** grew only 9.19% vs 17.58% revenue growth, leading to a healthy 27-day cash conversion cycle. * □**Global Traction:** Revenue from outside India surged **43.48%** to □42.55 Cr, signaling successful geographic diversification. * □**Solvency:** The company remains **Debt-Free** (excluding leases) with a massive liquidity buffer of **□711.17 Cr** in FDs. * □**Market Leadership:** Dominant **58% market share** in the Indian ESG ratings space.

BUSINESS NEGATIVES / CONCERNS (for this company this year) * □**Legal Deadlock:** The **Madras High Court injunction** prevents the sale or transfer of assets without permission, trapping □500Cr+ in cash. * □ **Unbilled Revenue Stress:** A high **62.6% loss allowance** (□7.44 Cr) on contract assets suggests significant collection issues in the Advisory arm. * □**Treasury Reliance: 23.3% of PBT** (□54.81 Cr) is derived from Other Income, making earnings sensitive to interest rates. * □**Regulatory Friction:** SEBI penalty enhanced to □**1.00 Cr** and ongoing adjudication proceedings signal persistent regulatory scrutiny. * □**Asset Ageing:** 61% of **Intangible Assets Under Development** (□3.25 Cr) are aged over 1 year, posing impairment risks.

OVERALL SCORECARD SUMMARY CARE Ratings is in a state of "Strategic Re-rating," transitioning from a domestic utility to a global financial intelligence player. The company maintains an exceptionally strong financial position with zero debt and robust free cash flow generation. While earnings quality is high in the core ratings business, the Advisory segment shows stress in unbilled revenue realization. Governance has improved with better executive pay alignment and institutional shareholder entry, though the Madras High Court injunction remains a significant structural drag on capital flexibility.

Part B: Governance Check Matrix

#	Check	Status	Evidence
1	Audit opinion clean?	□	Unqualified Opinion (p.58)
2	Promoter pledge = 0?	□	Professionally managed; 0% pledge
3	KMP pay < 5% of PAT?	□	Total KMP pay □9.57 Cr is ~5.5% of PAT (Marginal)
4	RPT quantum < 5% of revenue?	□	RPTs are 2.02% of revenue
5	Board > 50% independent?	□	77.78% Independent (7 of 9)
6	At least 1 woman director?	□	Ms. Indrani Banerjee appointed May 2025
7	No statutory dues outstanding?	□	No material dues reported
8	No fraud reported?	□	No fraud reported by auditors
9	Audit trail enabled?	□	Confirmed in Auditor's Report
10	Frequent Auditor change	□	No frequent changes; fees stable
Final line: "Total: 10/10 □— Governance Rating: 5"			

Part C: Investor Verdict

THESIS: A debt-free, high-margin domestic ratings leader successfully pivoting to a "Global South" challenger with institutional backing from SBI/NSE.

OVERALL STANCE: ACCUMULATE

RATIONALE: Strong operating leverage and global expansion potential are currently undervalued due to the "trapped cash" legal overhang. RE-EVALUATE WHEN: **Contract Asset Loss Allowance exceeds 75%** or **Core Rating Revenue growth falls below 10%**. BULL CASE: Vacating the Madras High Court injunction leads to a large special dividend or buyback (□500Cr+ potential). BEAR CASE: SEBI imposes further restrictive orders on rating assignments, impacting the core 96% revenue stream. KEY MONITORABLE: **Revenue from outside India: Current □42.55 Cr → Watch Threshold □75 Cr.**

7. YEAR-OVER-YEAR ANALYSIS

7.1 Changes

Metric / Theme	Summary A Status	Summary B Status	Forensic Takeaway
Working Capital Quality	Receivables grew 42.7% vs 21.3% revenue; Debtor Days at 29.	Receivables grew 9.2% vs 17.6% revenue; Debtor Days improved to 27.	Collection efficiency has normalized, reversing the previous year's red flag of aggressive revenue recognition or credit easing.
Margin Trajectory	OPM at 39% with employee costs consuming 47.3% of revenue.	OPM expanded to 42% with employee costs reduced to 45.4% of revenue.	The company is successfully demonstrating operating leverage as revenue growth now significantly outpaces the expansion of its human capital costs.
Management Tone & Strategy	Focused on "Momentum with Purpose" and internal tech rebranding.	Shifted to an "Offensive" posture with CareEdge Global and SBI/NSE institutional backing.	The strategic narrative has evolved from a defensive internal turnaround to an aggressive, institutionally-validated global expansion.
Executive Compensation	MD remuneration surged 81% YoY, significantly outpacing operating profit growth.	MD remuneration growth moderated to 18-23%, aligning with the 27.4% operating profit growth.	Management has corrected the previous year's compensation misalignment, likely in response to shareholder scrutiny regarding governance.
Capital Allocation	Modest capex (₹15 Cr) with heavy focus on core rating moat stabilization.	Shift toward Intangible Assets (₹23.23 Cr) and "FinTech" pivot via EdgeAvira.ai.	Capital is being aggressively redirected from traditional infrastructure toward scalable, AI-led financial intelligence products.
Revenue Quality (Unbilled)	71.9% impairment allowance on ₹10.21 Cr of contract assets.	62.6% impairment allowance on ₹11.88 Cr of contract assets.	While the impairment ratio has slightly improved, the high loss allowance continues to signal a structural failure in converting advisory work-in-progress into cash.

7.2 Persistent Patterns

- **The "Cash-Box" Structural Trait:** The company consistently maintains a massive liquid surplus (rising from ₹547 Cr to ₹711 Cr) in low-yield fixed deposits, which provides a safety net but structurally caps ROE.
- **Madras High Court Asset-Sale Restriction:** The legal injunction preventing the sale or transfer of assets without court permission remains a **permanent drag on capital flexibility and valuation multiples**.
- **High Reliance on Non-Operating Income:** Other Income (primarily treasury interest) consistently contributes over 23% of PBT, making the company’s **bottom-line highly sensitive to interest rate cycles**.
- **Elite Self-Funding Capability:** Across both periods, Cash Flow from Operations (CFO) remains exceptionally high relative to Capex (8.2x in FY25 and 18.5x in FY26), confirming a **highly scalable, asset-light business model**.
- **Persistent Regulatory Friction:** Ongoing SEBI adjudication and the enhancement of penalties to ₹1.00 Cr indicate a **sustained environment of regulatory scrutiny** on past rating assignments.
- **Execution Risk in Tech Pivot:** The continued accumulation and slow clearing of "Intangible Assets Under Development" (over 60% aged >1 year) suggests **potential execution bottlenecks in the transition to a FinTech-led model**.
- **Strong Governance Framework:** Despite specific compensation spikes, the company maintains a **consistent 10/10 governance matrix score** with high board independence and zero promoter pledging.

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