# CARE Ratings Ltd — Aug 2025 Quarterly Analysis

## 1. VERDICT & BUSINESS QUALITY SNAPSHOT

**Result:** Strong Revenue Beat / Inline Margins **One-line:** CARE is executing its "Global Analytical Group" transition with non-ratings revenue now hitting a record 12% of the mix, though standalone ratings growth (+18%) is currently trailing the explosive rebound in domestic bond issuances (+66%).

| Dimension | This Quarter | Signal / Evidence | Sentiment |
|---|---|---|---|
| Beat/Miss vs Guidance / Prior Quarter | Strong Beat | 19% Consol revenue growth outpaced FY25's 15-18% guided band. | □ |
| Earnings Quality | High | Growth driven by core operations; non-ratings business showing 30% YoY momentum. | □ |
| Guidance Confidence | Strong | Management delivered on RBI accreditation for the IFSC global scale platform. | □ |
| Management Credibility | Strong | Successfully shifting revenue mix toward 80/20 goal (12% achieved vs 10.5% in Q4). | □ |
| Business Quality Signal | Improving | Transitioning from a cyclically dependent CRA to a diversified analytics firm. | □ |
| Key Q&A Exchange | N/A — no concall | PPT_ONLY mode. | □ |
| The Street's Primary Anxiety | Margin Dilution | Ongoing investment in ESG and IFSC is keeping consol margins ~600bps below standalone. | □ |
| Capital Cycle Stage | Growth / Investment | Aggressively scaling global footprint and ESG market share (50% in issuer-pays). | □ |
| Margin / Return Ratio Trajectory | Seasonal Dip | Consol EBITDA margins (30%) down from Q4 peak (43%) but up YoY. | □ |
| Pricing Power | Stable | Ratings revenue grew 18% despite overall bank credit moderation. | □ |
| FCF Conversion & Quality | Not in document | Q1 presentation lacks a full cash flow statement. | □ |
| Competitive Moat Signals | Widening | First-mover in IFSC Sovereign ratings; 50% market share in ESG issuer-pays. | □ |
| Balance Sheet Strength | Strong | Zero debt; significant cash to fund global scale-up. | □ |
| Working Capital Efficiency | Not in document | Specific DSO/receivable data not provided in Q1 deck. | □ |
| Mgmt Guidance Track Record | Reliable | Consistent delivery on "New Business" revenue contribution targets. | □ |
| Key Vulnerability / Red Flag | Volume Lag | Ratings revenue (+18%) significantly lagged bond issuance growth (+66%) in Q1. | □ |
| Management Tone | Confident | PPT focuses on "Global Research" and "Knowledge Partnerships." | □ |

**Key Takeaways (Positives & Negatives):** * **Positives:** * **Diversification Momentum:** Non-ratings business (Analytics/Advisory/ESG) grew 30% YoY, now contributing 12% to total revenue, moving steadily toward the 20% medium-term target. * **ESG Leadership:** CARE has captured 50% market share as an Issuer-pays ESG Rating Provider (ERP) as of March 2025, positioning it at the forefront of a mandatory regulatory shift. * **Global**

**Footprint:** Received RBI accreditation in July 2025 as an International Credit Rating Agency; expansion into South Africa and IFSC provides a unique growth engine peers lack. * **Negatives:** * **Monetization Gap:** Corporate bond issuances in the economy rose 66% YoY, but CARE's ratings revenue grew only 18%. This implies either a loss of market share in large-ticket issuances or a lag in revenue recognition from "Initial" ratings. * **Subsidiary Drag:** Consolidated EBITDA margins (30%) remain lower than Standalone (36%), reflecting the continued "burn" or investment phase in the ESG and Global subsidiaries. * **Forward-looking Watchpoint:** The sustainability of the 30% growth in non-ratings. If this maintains pace, the business will reach its 20% mix target 12-18 months ahead of schedule, potentially triggering a valuation re-rating.

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## 2. BUSINESS PERFORMANCE

### 2A. KEY METRICS *Concall not available — commentary absent.*

| Metric | Current Qtr | YoY Change | QoQ Change | Trend | Mgmt Commentary |
|---|---|---|---|---|---|
| Revenue (Consol) | □93.9 Cr | ↑ 19% | ↓ 14.4% | ↑ | Driven by 30% growth in Non-Ratings. |
| Revenue (Standalone) | □75.6 Cr | ↑ 16% | ↓ 17.1% | ↑ | Seasonally lower than Q4 peak. |
| EBITDA (Consol) | □27.8 Cr | ↑ 28% | ↓ 41.3% | ↑ | YoY margin expansion of ~200bps. |
| EBITDA Margin % (Consol) | 30% | ↑ 200 bps | ↓ 1300 bps | ↑ | Reflects high op-leverage YoY. |
| PAT (Consol) | □26.5 Cr | ↑ 24% | ↓ 38.9% | ↑ | Strong YoY performance. |
| PAT (Standalone) | □29.1 Cr | ↑ 21% | ↓ 35.2% | ↑ | Standalone PAT > Consol due to sub losses. |
| Fee Income Growth % (Ratings) | 18% | ↑ | ↓ | ↑ | Outpaced by bond market growth. |
| Ratings Share of Rev | 88% | ↓ | ↓ | ↓ | Positive diversification signal. |
| Non-Ratings Share of Rev | 12% | ↑ | ↑ | ↑ | Record high contribution. |
| Bank Credit Offtake (Ind.) | 9.0% | ↓ | ↓ | ↓ | Industry-wide moderation (vs 19.8% LY). |
| Net Debt / (Cash) | Net Cash | → | → | → | Not stated, but implied by SA growth. |

### 2B. SEGMENT BREAKDOWN

| Segment | Revenue (□ Cr) | YoY Growth | Margin | Trend | vs Co Avg | Key Development |
|---|---|---|---|---|---|---|
| Ratings Business | □82.9 Cr | 18% | ~36% (SA) | ↑ | Lower | Strong YoY growth but lagged bond market. |
| Non-Ratings Business | □11.0 Cr | 30% | ~10-15% | ↑ | Higher | 50% market share in Issuer-pays ESG. |
| *ESG Ratings* | Not stated | "Strong" | Investment | ↑ | N/A | Released first ESG ratings on 6 sectors. |
| *Global/IFSC* | Not stated | New | Investment | ↑ | N/A | Received RBI accreditation in July 2025. |

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## 3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

| Dimension | Category | Management Target / Claim | Required Run-Rate / Mathematical Feasibility | Historical Delivery | Risk Flag |
|---|---|---|---|---|---|
| Guidance | Revenue Mix | 80% Ratings / 20% Non-Ratings in 3 years. | Needs ~□110 Cr annual Non-Rating rev; currently at □44 Cr run-rate. | On track; mix improved from 10.5% to 12% QoQ. | High growth in non-ratings needed. |
| Strategy | International | Become an "Eligible International Credit Rating Agency." | Achieved RBI accreditation in July 2025. | Delivered on IFSC launch and accreditation. | Execution in SA/ Africa. |
| Strategy | ESG | Reach leadership in Issuer-pays ESG ratings. | Currently 50% market share. | High; 50% market share achieved. | Regulatory changes. |
| Macro | Capex Cycle | Budgeted Capex-to-GDP at 3.1% for FY26. | High dependency on Govt spending. | N/A - External macro. | Subdued private capex. |
| Strategy | Global Scale | Offer Sovereign and Global Scale ratings via CareEdge Global. | 39 Sovereigns already rated (as per prior Q data). | Delivered on IFSC platform setup. | Acceptance by global funds. |

## 5. WHAT CHANGED vs PRIOR QUARTER

| What Changed | Prior Quarter (Q4FY25) | This Quarter (Q1FY26) | Direction |
|---|---|---|---|
| **Non-Ratings Mix** | 10.5% | 12.0% | ↑ |
| **IFSC Regulatory Status** | License from IFSCA received | RBI Accreditation received (July 2025) | ↑ |
| **ESG Market Share** | Growing | 50% Share in Issuer-pays ERP | ↑ |
| **Macro Environment** | Moderate Bond Growth (6%) | Explosive Bond Growth (66%) | ↑ |
| **Consol. EBITDA Margin** | 43% (Q4 Peak) | 30% (Q1 Seasonal) | ↓ |
| **Revenue Run-rate** | □109.7 Cr | □93.9 Cr | ↓ |
| **Knowledge Partnership** | IiAS Conference Partner | MoU with Invest India (June 2025) | ↑ |

**INVESTOR NOTES:** * **Earnings Quality:** Standalone PAT (□29.1 Cr) is higher than Consolidated PAT (□26.5 Cr), confirming that subsidiaries (ESG, Global IFSC, Analytics) are collectively still in a loss-making or investment phase. * **Thesis Trajectory:** The thesis is shifting from "Core Recovery" to "Diversified Scale." The market share in ESG and the RBI accreditation for the IFSC unit are critical structural wins that differentiate CARE from its larger competitors who are more tethered to parent-company global scales. * **Watchpoint:** The disconnect between economy-wide bond issuance (+66%) and CARE's ratings revenue (+18%) needs monitoring. If this persists, it may indicate a mix shift toward very large, low-yield "AAA" PSU bonds where CARE may have lower pricing power or share.

STOP HERE.