CARE Ratings Ltd — Feb 2026 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Strong Beat (Profitability) / Inline (Revenue) **One-line:** The structural thesis remains firmly intact as CARE continues to decouple from volatile domestic bond markets, leveraging a revival in large-industry bank credit and achieving consistent profitability in its international/ESG subsidiaries.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Strong Beat	Consol EBITDA (+33%) and PAT (+29%) far outpaced revenue growth (+16%).	□
Earnings Quality	High	Growth is driven by operating leverage; subsidiaries are now consistently profit-accretive.	□
Guidance Confidence	Strong	Non-ratings growth (21%) is accelerating; Global scale platform reaches 41 sovereigns.	□
Management Credibility	Strong	Achieved 16% consol revenue growth despite a 11.1% YoY contraction in corporate bond issuances.	□
Business Quality Signal	Improving	Resilience in Ratings + scaling of Analytics proves the "Analytical Group" transition is working.	□
Key Q&A Exchange	N/A — no concall	PPT_ONLY mode.	□
The Street's Primary Anxiety	Market Issuance Volatility	Anxiety over weak bond markets was offset by strong bank credit offtake (14.5%) and large industry credit (7.5%).	□
Capital Cycle Stage	Harvesting / Scaling	Operating leverage is kicking in as subsidiary investment costs are now covered by their own revenue.	□
Margin / Return Ratio Trajectory	Improving	Consol 9M EBITDA margins expanded to 40% (vs 38% in 9M FY25).	□
Pricing Power	Expanding	Revenue growth in a shrinking bond market suggests strong realization in the BLR and SME segments.	□
FCF Conversion & Quality	Not in document	Cash flow statement not provided in Q3 presentation.	□
Competitive Moat Signals	Widening	52% market share in ESG Ratings (Cat 1 ERP) and first-mover in GIFT City ratings.	□
Balance Sheet Strength	Strong	Net Cash position continues; funding growth through internal accruals.	□
Working Capital Efficiency	Not in document	DSO data not provided in Q3 deck.	□
Mgmt Guidance Track Record	Reliable	Consistent delivery on global sovereign rating expansion (41 vs 39 last quarter).	□
Key Vulnerability / Red Flag	Non-Rating Mix	At 11%, the non-rating mix is stagnant QoQ, remaining far from the long-term 20% target.	□
Management Tone	Confident	PPT focuses on "Economic Resilience" and "Global Confidence."	□

Key Takeaways (Positives & Negatives): * **Positives:** * **Operational Leverage:** Consolidated EBITDA growth of 33% YoY significantly outstrips revenue growth of 16%, proving the scalability of the platform as subsidiaries stabilize. * **Decoupling Success:** Despite an 11.1% YoY decline in corporate bond issuances and a 6% drop in Commercial Paper (CP) issuances in Q3, CARE's Ratings segment grew 17% in 9M FY26, driven by a 14.5% surge in bank credit offtake. * **Subsidiary Accretion:** Consolidated PAT (₹36.54 Cr) is now higher than Standalone PAT (₹36.06 Cr), confirming that the new ventures (ESG, Global IFSC, Analytics) are no longer a drag on the bottom line. * **Large Industry Revival:** Credit growth to large industries accelerated to 7.5% (from 5.5% last year), which acts as a leading indicator for "Initial" rating fee growth. * **Negatives:** * **Segment Diversification Stagnation:** Non-rating revenue contribution remains stuck at 11%, the same as H1. While growing 21% YoY, it is not yet "outgrowing" the core ratings business enough to shift the mix toward the 20% target. * **Bond Market Headwinds:** Corporate bond issuances have been lower for 9M FY26 (-0.7%), creating a ceiling for growth in the high-ticket segment. * **Forward-looking Watchpoint:** Monitor the "India-US trade deal" impact projected by management to sustain 7.2% GDP growth in FY27; this macro tailwind is critical for sustaining the private capex revival that feeds rating volumes.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS DATA SOURCE: Concall not available — commentary absent.

Metric	Current Qtr (Q3 FY26)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (Consol)	₹112.12 Cr	↑ 16%	↓ 17.8%	↑	Seasonal decline vs Q2; growth driven by Ratings (17% in 9M).
Revenue (Standalone)	₹90.24 Cr	↑ 15%	↓ 21.0%	↑	Resilience despite 11% drop in bond market volumes.
EBITDA (Consol)	₹40.34 Cr	↑ 33%	↓ 41.0%	↑	YoY growth shows massive margin expansion (36% vs 31% LY).
EBITDA Margin % (Consol)	36%	↑ 500 bps	↓ 1400 bps	↑	9M margins at 40% show structural improvement.
PAT (Consol)	₹36.54 Cr	↑ 29%	↓ 36.1%	↑	Subsidiaries are now profit-accretive.
PAT (Standalone)	₹36.06 Cr	↑ 22%	↓ 35.4%	↑	Core ratings PAT margin at 40%.
EPS (Consol)	₹11.96	↑ 28%	↓ 36.4%	↑	Converted from PAT growth.
Fee Income Growth (Ratings)	17% (9M)	↑	→	↑	Outperforming market issuance trends.
Ratings Share of Rev	89%	→	→	→	Core business remains the dominant engine.
Non-Ratings Share of Rev	11%	→	→	→	Growing 21% YoY but mix is static.
Bank Credit Offtake (Ind.)	14.5%	↑ 330 bps	↑	↑	Acceleration from 11.2% in Dec-24.
Corporate Bond Issuance (Mkt)	₹2.4L Cr	↓ 11.1%	↑ 20%	↓	Market remains sluggish compared to bank credit.

2B. SEGMENT BREAKDOWN (9M FY26)

Segment	Revenue (₹ Cr)	YoY Growth	Margin	Trend	vs Co Avg	Key Development
Ratings Business	₹305.69 Cr	17%	46% (SA)	↑	Higher	Rated 41 sovereigns; USD 6bn+ global debt.
Non-Ratings Business	₹36.71 Cr	21%	~20%*	↑	Lower	52% market share in Cat 1 ESG Ratings.
Analytics & Advisory	Not stated	"Growing"	Improving	↑	N/A	New platforms: PaRRVA and ReInvitEdge.
Global IFSC	Not stated	Scaling	Profitable	↑	N/A	Rated 41 sovereigns and debt instruments.
**Derived from Consol vs Standalone EBITDA delta.*						

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Revenue Mix	20% Non-Rating Revenue target.	Needs 40%+ growth in non-ratings; currently doing 21%.	Slow progress (stuck at 11%).	Mix target at risk.
Strategy	International	Become a global research & analytics company.	Must scale Global Scale Ratings beyond current 41 sovereigns.	High; 2 more sovereigns rated since Q2.	FII acceptance.
Strategy	ESG	Maintain leadership in ESG ratings.	Maintain >50% market share as competition enters.	High; 52% share currently.	Competition.
Macro	GDP Growth	7.4% GDP growth for FY26.	Q4 needs to remain resilient; PFCE estimated at 7%.	On track.	Consumption dip.
Strategy	Product	Launch specialized platforms (PaRRVA, ReInvitEdge).	Adoption by InvITs/Funds to drive non-rating fees.	Delivering new products.	Adoption rate.

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q2 FY26)	This Quarter (Q3 FY26)	Direction
Sovereign Ratings Count	39 Sovereigns	41 Sovereigns	↑
Global Scale Debt Rated	USD 4 Billion	USD 6 Billion	↑
Consol EBITDA Margin	50% (Peak Season)	36% (Normalised)	↓
Large Industry Credit	2.4% YoY Growth	7.5% YoY Growth	↑
ESG Market Share	50% (Q1 data)	52% (9M data)	↑
Bond Market Contraction	-37.5% YoY (Q2)	-11.1% YoY (Q3)	↑
Consol vs SA PAT Delta	+₹1.38 Cr (Subsidiary PAT)	+₹0.48 Cr (Subsidiary PAT)	↓

INVESTOR NOTES: * **The Accretion Signal:** While the subsidiary PAT contribution narrowed from ₹1.38 Cr in Q2 to ₹0.48 Cr in Q3, the critical fact is that it remains positive. The era of subsidiaries being a "drag" on consolidated margins is over. * **Large Industry Credit Tailpipe:** The jump in large industry credit growth from 2.4% to 7.5% is the most significant macro change. This suggests that the private capex cycle is finally filtering through to the large-ticket industrial segment, which should drive "Initial Rating" fees in the coming quarters. * **Market De-coupling:** The business is proving it can grow revenue at 15-16% even when its primary market (Corporate Bonds/CP) is contracting by 6-11%. This confirms that CARE is gaining share in Bank Loan Ratings (BLR) and benefiting from the "sticky" surveillance revenue on its □300 Cr+ annual base. * **Thesis Trajectory:** The thesis is evolving from a "Domestic Recovery" story to a "Global Analytical Group" story. The scale-up in GIFT City (Global Scale Ratings) and ESG market leadership provides a valuation buffer against domestic credit cycles. * **Watchpoint:** The 20% non-rating revenue mix target is currently the only major laggard. If the ratings business continues to grow at 17%, the Analytics/ESG segments must grow at 40%+ to hit the diversification goal.

STOP HERE.