CARE Ratings Ltd — Jan 2024 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

The punchline. Read this first — it frames everything below.

Result: Strong Beat (on Consolidated PAT) / Inline (Standalone) **One-line:** The thesis is evolving from a pure-play rating cyclical to a diversified analytics group, evidenced by subsidiaries turning from a profit drag in Q1 to a positive contributor in Q3, even as core rating volumes faced a temporary Q3 dip.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Beat	Cons. PAT grew 47% YoY; Operating income up 22%.	□
Earnings Quality	High	Growth driven by operating income, not just other income.	□
Guidance Confidence	Neutral	Dependent on private capex pickup (utilization at 73.6%).	□
Management Credibility	Strong	Successfully pivoting subsidiaries to profitability.	□
Business Quality Signal	Improving	Consolidated PAT (□23.92 Cr) now exceeds Standalone (□22.23 Cr).	□
Key Q&A Exchange	Not applicable	PPT_ONLY: No concall provided.	□
The Street's Primary Anxiety	Rating Volume Volatility	Q3 bond issuances fell 11.2% YoY; CP fell 9%.	□
Capital Cycle Stage	Harvesting (Core) / Scaling (Subsidiaries)	Non-rating businesses (SIRIUS, ESG) gaining scale.	□
Margin / Return Ratio Trajectory	Stable to Improving	Cons. PAT margin up from 22% to 26% YoY.	□
Pricing Power	Stable	22% revenue growth despite double-digit volume drops in bonds.	□
FCF Conversion & Quality	Not in document	Cash flow statement absent in PPT.	□
Competitive Moat Signals	Stable	Dominance in BFSI/Infra; 30-year track record.	□
Balance Sheet Strength	Strong	Net cash position implied by □10-13 Cr quarterly other income.	□
Working Capital Efficiency	Not in document	DSO data absent in PPT.	□
Mgmt Guidance Track Record	Improving	Delivering on "Knowledge-based analytical group" rebranding.	□
Key Vulnerability / Red Flag	Industrial Credit Growth	Credit to large industry remains muted at 3.6% YoY.	□
Management Tone	Confident (via PPT)	Focus on "Upbeat 9M" and "Foresight backed by insights."	□

Key Takeaways (Positives & Negatives):

Positives: * **Subsidiary Turnaround:** For the first time in recent quarters, Consolidated PAT is higher than Standalone PAT (□23.92 Cr vs □22.23 Cr), signaling that the burn in Risk Solutions and International ventures has likely ended or stabilized. * **Resilient Standalone Performance:** Despite corporate bond issuances declining 11.2% YoY in Q3, Standalone Operating Income grew 22%, suggesting higher realization per rating or growth in surveillance fees/bank loan ratings. * **ESG Readiness:** CareEdge ESG Ratings has applied for the ERP license; the SIRIUS platform now covers 1,100+ companies, positioning the firm for the mandatory BRSR tailwind. * **Diversified Growth:** 9M FY24 consolidated revenue is up 20% YoY, showing consistent momentum beyond the core rating cycle.

Negatives: * **Macro Headwinds in Core:** Commercial Paper (CP) issuances and Corporate Bonds both saw YoY declines in Q3, indicating a sluggish capital market environment for debt. * **Cost Pressures:** Standalone expenses grew 19% YoY in Q3 and 20% in 9M, largely tracking revenue growth and preventing significant margin expansion. * **Slow Industrial Capex:** Capacity utilization in manufacturing decreased to 73.6% (from 76.3% in Q4FY23), and new project announcements are down ~48% for 9M FY24, which may delay the "Big Capex" rating boom.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

DATA SOURCE: Concall not available — Mgmt Commentary column will be sparse or absent.

Metric	Current Qtr (Q3FY24)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Total Operating Inc (Cons)	□78.68 Cr	↑ 26.6%	↑ 4.3%*	↑	Driven by both ratings and non-ratings.
Total Operating Inc (SA)	□66.68 Cr	↑ 22.2%	↑ 0.6%*	→	Resilient despite weak debt market volumes.
EBITDA (Standalone)	□27.04 Cr	↑ 21.6%	↑ 4.2%*	↑	9M margins look lower due to PY one-offs.
EBITDA Margin % (SA)	40.5%	↓ 30 bps	↑ 140 bps*	→	Stable; expenses rising in line with income.
PAT (Consolidated)	□23.92 Cr	↑ 46.7%	↑ 16.7%*	↑	Strongest growth lever this quarter.
PAT (Standalone)	□22.23 Cr	↑ 3.9%	↓ 14.2%*	↓	Growth muted by higher tax/other income shifts.
Cons. EPS (□)	□7.88	↑ 46.5%	↑ 16.7%*	↑	Reflects subsidiary turnaround.
Corp. Bond Issuances	□2.9 L Cr	↓ 11.2%	↓ 9.4%	↓	Seasonal/cyclical moderation in Q3.
CP Issuances	□3.2 L Cr	↓ 9.4%	↓ 11.1%	↓	Shift toward bank credit vs CP.
Capacity Utilization	73.6%	↑ 120 bps	↓ 270 bps	□	Seasonal decrease vs Mar-23.
Bank Credit Growth	16.2%	↓ 100 bps	→	→	Services (21.9%) outperforming Industry.

**Calculated vs Q2FY24 based on 9M minus (H1 implied) data.*

2B. SEGMENT BREAKDOWN

Segment	Revenue (□ Cr)	YoY Growth	Margin	Trend	vs Company Avg	Key Development
Ratings (Standalone)	□66.68 Cr	22.2%	40.5%	→	Above	Dominant in BFSI/Infra; growth despite low bond volume.
Subsidiaries (Implied)	□12.00 Cr	58.3%	Positive	↑	Below	Subs turned from loss to □1.69 Cr PAT contrib.
Risk & Analytics (CRS)	Not in doc	Not in doc	Not in doc	↑	Below	Ranked 90th in Chartis RiskTech100.
ESG Ratings	Not in doc	Not in doc	Not in doc	↑	Below	Applied for SEBI ERP license.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Revenue	Remaining upbeat for FY24 despite Q3 moderation.	Requires □75 Cr+ Cons. Op Income in Q4.	Delivered 20% 9M growth.	Bond market volatility.
Strategy	Diversification	Leveraging into knowledge-based analytical businesses.	Non-rating Rev must reach ~20-25% of mix.	Subs now contributing to PAT.	Execution in ESG/South Africa.
Strategy	ESG Leadership	Capture BRSR reporting requirements for Top 1000.	Scale SIRIUS platform beyond 1,100 cos.	Platform developed; license pending.	Competitive landscape (CRISIL).
Macro	Capex Cycle	GFCF increased 11% in Q2; Central Capex at 22.2% exp.	Needs private capex to lift utilization >78%.	Project announcements slowed in 9M.	Base effect/ Election year.
Balance	International	Expansion into South Africa and UAE (implied).	License approval in South Africa.	Nepal/Mauritius profitable.	Regulatory timelines.

4. ANALYST Q&A

Section not applicable — investor presentation only. No concall conducted or available.

5. WHAT CHANGED vs PRIOR QUARTER

Comparison based on Q1FY24 Prior Context vs Q3FY24 PPT.

What Changed	Prior Quarter (Q1FY24)	This Quarter (Q3FY24)	Direction
Subsidiary Contribution	Loss/Drag of □3.22 Cr	Profit Contribution of □1.69 Cr	↑
Earnings Mix	Cons. PAT < Standalone PAT	Cons. PAT > Standalone PAT	↑
Operating Income (SA)	□56.48 Cr	□66.68 Cr	↑
Consolidated PAT	□18.40 Cr	□23.92 Cr	↑
Market Condition	Bond issuances tripled (low base)	Bond issuances declined 11.2% (seasonality)	↓
ESG Maturity	Proprietary tool 'Sirius' launched	Applied for SEBI ERP License; 1,100+ cos covered	↑
Analytical Standings	Ranked 93rd in RiskTech100	Ranked 90th in RiskTech100	↑

Investor Notes: * **The "Double Engine" Thesis:** The most critical change is the shift in subsidiary performance. Previously, CARE's rating profits were being diluted by its "Risk" and "Advisory" bets. In Q3, these businesses added to the bottom line, proving the diversification strategy is finally accretive. * **Decoupling from Volumes:** The company grew standalone revenue by 22% despite a decline in core bond and CP issuance volumes. This indicates strong performance in bank loan ratings (BLR) and perhaps better pricing or surveillance fee stickiness. * **Capex Watch:** While government capex remains a support, the manufacturing capacity utilization dip to 73.6% and the slowdown in new project announcements suggest the massive "private capex boom" is still a few quarters away. * **Verdict:** Thesis remains intact and is strengthening. The transition from a cyclical rating agency to a steady-state analytics and ESG group is progressing faster than the market anticipated, as seen in the consolidated profit flip.

STOP HERE.