CARE Ratings Ltd — Jan 2025 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Inline on Revenue / Miss on Margins **One-line:** CARE is successfully transitioning into a global analytical group with non-ratings and international segments scaling fast, but aggressive investment in these new pillars has caused a sharp, albeit expected, compression in consolidated margins.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Miss (Margins)	Consol. EBITDA margin dropped to 28% in Q3 from 47% in Q2.	□
Earnings Quality	Moderate	PAT growth (19% Consol) is supported by other income; operating profit growth is lagging revenue.	□
Guidance Confidence	Strong	Management delivered on the promise of sovereign ratings (39 countries) and ESG assignments.	□
Management Credibility	Strong	Precise execution on the "CareEdge Global" rollout at GIFT City.	□
Business Quality Signal	Improving	Non-ratings revenue now >10% of mix; international footprint expanding to 39 countries.	□
Key Q&A Exchange	Not applicable	Concall not available.	□
The Street's Primary Anxiety	Margin Dilution	Massive investment in Global IFSC and ESG is eating into core rating cash cows.	□
Capital Cycle Stage	Investment	Significant opex being deployed into new subsidiaries (Global IFSC, ESG, South Africa).	□
Margin / Return Ratio Trajectory	Deteriorating	Consol. EBITDA margin fell to 28% (Q3) vs 33% (9M) and 47% (Q2).	□
Pricing Power	Stable	Standalone ratings revenue grew 18%, outpacing the 5% growth in corporate bond issuances.	□
FCF Conversion & Quality	Not in document	Cash flow statement not provided in Q3 PPT.	□
Competitive Moat Signals	Widening	Only Indian CRA with a functional Global Scale Rating platform (39 countries rated).	□
Balance Sheet Strength	Strong	Funding global expansion through internal accruals; no debt mentioned.	□
Working Capital Efficiency	Not in document	No detailed balance sheet in Q3 PPT.	□
Mgmt Guidance Track Record	Reliable	Delivered on GIFT City operationalization and ESG rating completions.	□
Key Vulnerability / Red Flag	Subsidiary Burn	Non-standalone entities contributed □29.38 Cr to revenue but only □0.13 Cr to EBITDA in Q3.	□
Management Tone	Confident	Tone focused on "Global Scale" and "Sovereign Ratings."	□

Key Takeaways (Positives & Negatives): * **Positives:** * **Transformation Milestone:** The "CareEdge Global" entity is now a reality, not just a plan, having assigned sovereign ratings to 39 countries and rated $2bn in debt issuances this quarter. * **Revenue Diversification:** Non-ratings business (Analytics, Consulting, ESG) grew 38% YoY in 9MFY25, reaching a double-digit revenue share (10.3%) for the first time. * **Core Resilience:**

Standalone ratings revenue grew 18% YoY despite a relatively muted corporate bond market (+5% YoY), suggesting market share gains or better wallet share in high-yield segments. * **Negatives:** * **Margin Volatility:** The consolidated EBITDA margin collapsed from 47% in Q2 to 28% in Q3. While some seasonality exists, the primary driver is the operational cost of new subsidiaries which are not yet contributing to the bottom line. * **Bank Credit Headwinds:** Bank credit growth to large industry and services moderated to 10.4% (vs 16.1% YoY), which typically acts as a lead indicator for Bank Loan Ratings (BLR) demand. * **Forward-looking Watchpoint:** The "J-curve" of the GIFT City and ESG subsidiaries. The thesis now hinges on whether these new entities can move from "revenue contributors" to "profit contributors" before the core ratings cycle peaks.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

DATA SOURCE: Concall not available — commentary absent.

Metric	Current Qtr (Q3FY25)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (Consol.)	□107.97 Cr	↑ 30%	↓ 8.0%	↑	Strong YoY growth led by non-ratings and global scale.
Revenue (Standalone)	□78.59 Cr	↑ 18%	↓ 22.5%	↑	Core ratings stable; QoQ drop reflects Q2 seasonality.
EBITDA (Consol.)	□30.43 Cr	↑ 30%	↓ 45.4%	↑	YoY growth in line with revenue; QoQ drop is sharp.
EBITDA Margin % (Consol.)	28%	→ 0 bps	↓ 1900 bps	↓	Major compression vs Q2 (47%) due to subsidiary opex.
EBITDA Margin % (SA)	39%	↓ 600 bps	↓ 1700 bps	↓	Standalone margins also moderated from Q2 highs.
PAT (Consol.)	□28.37 Cr	↑ 19%	↓ 39.5%	↑	Lagging revenue growth due to margin pressure.
PAT (Standalone)	□29.46 Cr	↑ 33%	↓ 40.7%	↑	Standalone PAT exceeds consolidated PAT.
EPS (□- Consol.)	□9.30	↑ 19% (implied)	↓ 39.6%	↑	Based on Q3 consolidated performance.
Ratings Rev (9M)	□262.51 Cr	↑ 20%	N/A	↑	Core business remains the primary engine.
Non-Ratings Rev (9M)	□30.16 Cr	↑ 38%	N/A	↑	Scaling faster than core (10.3% of 9M mix).
Corp Bond Issuances (Mkt)	□2.6 L Cr	↑ 5%	↓ 16.1%	→	Market recovery slowing after Q2 surge.
CP Issuances (Market)	□3.8 L Cr	↑ 32%	↑ 2.7%	↑	Strong volume growth in short-term paper.
Credit-Deposit Ratio	78.7%	↑	↑	↓	Rising ratio suggests liquidity tightening.

2B. SEGMENT BREAKDOWN

Segment	Revenue (9MFY25 ₹Cr)	YoY Growth	Margin	Trend	vs Company Avg	Key Development
Ratings Business	₹262.51 Cr	20%	~37% (SA)	↑	In-line	39 sovereign ratings assigned via IFSC.
Non-Ratings Business	₹30.16 Cr	38%	Not stated	↑	Outperforming	ESG entity completed 3 assignments.
Analytics & Advisory	Not stated	Not stated	Not stated	↑	N/A	Focus on Risk & Digital Banking solutions.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	New Entities	Operationalize Global & ESG entities.	Achieved; 39 sovereign ratings and 3 ESG ratings live.	Delivered as promised in Q2.	Monetization timeline.
Strategy	International	Expand to South Africa.	Received license from FSCSA; operations to commence.	On track.	Local competition.
Strategy	Diversification	Increase Non-Ratings mix.	9M reached 10.3% vs 9.0% YoY. Target is likely 15%+.	Delivering.	Margin dilution.
Strategy	Global Scale	Assign ratings to global debt.	Assigned global ratings to ~$2bn debt in Q3.	New milestone.	Global brand acceptance.
Macro	Bond Market	Recovery post-election.	Market grew 5% in Q3; CARE Standalone grew 18%.	Outperforming market.	Interest rate volatility.

4. ANALYST Q&A

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

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q2FY25)	This Quarter (Q3FY25)	Direction
Consol. EBITDA Margin	47%	28%	↓
Global Operations	"Launch Event" conducted.	39 Sovereign ratings assigned; $2bn debt rated.	↑
Non-Ratings Revenue Mix	9.5% (H1)	10.3% (9M)	↑
Corporate Bond Market	Sharp recovery (+68% YoY).	Growth moderating (+5% YoY).	↓
ESG Operations	Entity operationalized.	First 3 assignments completed.	↑
Bank Credit Growth	15% (stable).	10.4% (moderating/slowing).	↓
Subsidiary Profitability	Subsidiaries contributed significantly to profit.	Subsidiaries now at near-zero EBITDA contribution.	↓

STOP HERE.