CARE Ratings Ltd — Jul 2022 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

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

Result: Weak / Inline **One-line:** The core thesis of a "Capex-led recovery" remains deferred as corporate bond and CP markets shrank double-digits in Q1, leaving the business dependent on a branding pivot (CareEdge) that has yet to offset the macro-driven volume decline.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Weak Miss (Market Vol)	Bond issuances ↓16.9% and CP issuances ↓10.6% YoY.	□
Earnings Quality	Not in document	No P&L provided in the presentation text.	□
Guidance Confidence	Neutral	Focus on ESG and Industry 4.0; but macro (yields/inflation) is the real driver.	□
Management Credibility	Stable	Continued emphasis on "Knowledge Purveyor" transition; active outreach.	□
Business Quality Signal	Stable	License-moat remains; diversifying into ESG and Analytics.	□
Key Q&A Exchange	N/A — no concall		
The Street's Primary Anxiety	Market Stagnation	High yields (7.5%+) and inflation are suppressing corporate debt appetites.	□
Capital Cycle Stage	Consolidation	Investing in brand/outreach while waiting for "crowding in" of private capex.	□
Margin / Return Ratio Trajectory	Deteriorating (Est.)	Declining market volumes usually lead to negative operating leverage.	□
Pricing Power	Stable	Outreach focus on "SME & Governance" suggests moving away from price-wars.	□
FCF Conversion & Quality	Not in document	Cash flow data absent in quarterly snapshot.	□
Competitive Moat Signals	Stable	Deepening "Knowledge Partner" ties with USIIC and 3i EXPO.	□
Balance Sheet Strength	Strong	No debt mentioned; focus on analytics and risk subsidiaries.	□
Working Capital Efficiency	Not in document	Financial statements absent from current doc.	□
Mgmt Guidance Track Record	Mixed	Macro outlook on inflation/yields is cautious and realistic.	□
Key Vulnerability / Red Flag	Large Enterprise Muted	Large enterprise credit growth at only 1.9% vs. 12.1% total bank credit.	□
Management Tone	Cautious	Heavy focus on macro headwinds (Yields, USD/INR, Inflation).	□

Sentiment: □Positive | □Negative | □Neutral

Key Takeaways (Positives & Negatives): * **Positives:** The transition to the **CareEdge** brand identity is being aggressively supported by high-profile outreach (ESG Conclave, US-India Trade Awards, Industry 4.0).

Management is correctly identifying the "ESG Adoption" and "Digital Currency" trends as future growth vectors. Standalone bank credit growth is robust at 12.1%, suggesting that once the "Retail-led" growth spills over into "Industrial/Services" credit (currently 8.7% and 12.9% respectively), rating volumes should follow. * **Negatives:** The immediate environment is hostile for debt ratings; **Bond issuances fell to □0.9 Lakh Cr** (down from □1.1 Lakh Cr YoY) and **CP issuances fell to □3.5 Lakh Cr** (down from □3.9 Lakh Cr YoY). The "Surveillance Leak" identified in prior quarters is likely worsening as large enterprises (growth only 1.9%) continue to favor internal accruals or bank loans over market-priced debt due to rising G-Sec yields. * **Street Concern:** The market is worried that CARE's rebranding and senior hiring are increasing the cost base just as the primary revenue engine (Bonds/CPs) is hitting a cyclical trough. * **Forward Watchpoint:** Monitor the "Credit to Industry" metric. If it sustains the move toward double-digits (currently 8.7%), it will signal the "crowding in" of private investment that CARE needs to return to double-digit revenue growth.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

DATA SOURCE: Concall not available — Mgmt Commentary column absent.

Metric	Current Qtr	YoY Change	QoQ Change	Trend	Mgmt Commentary
Total Revenue	Not in doc	Not in doc	Not in doc	↓	Market proxies suggest a decline.
PAT	Not in doc	Not in doc	Not in doc	↓	Likely impacted by lower volumes.
Bond Issuances (Market)	□0.9 Lakh Cr	↓ 16.9%	↓ 37.9%	↓	High yields and macro volatility.
CP Issuances (Market)	□3.5 Lakh Cr	↓ 10.6%	Not in doc	↓	Subdued fundraising environment.
Gross Bank Credit Growth	12.1%	↑ 720 bps	Not in doc	↑	Driven primarily by Retail (31.1% share).
Credit to Industry	8.7%	↑ 850 bps	Not in doc	↑	Recovery from near-zero levels.
Credit to Services	12.9%	↑ 950 bps	Not in doc	↑	Significant pickup in momentum.
Large Enterprise Credit	1.9%	↑ 500 bps	Not in doc	↑	Improved from contraction (-3.1%).
10-Year G-Sec Yield	~7.5%	↑ (High)	↑	↓	Upward trajectory on RBI tightening.
IIP Growth (May)	~19.6%	↑ (Base)	Not in doc	↑	Supported by a low base.

2B. SEGMENT BREAKDOWN

Segment	Revenue (□ Cr)	YoY Growth	Margin	Trend	vs Co Avg	Key Development
Ratings (SA)	Not in doc	Not in doc	Not in doc	↓	In-line	Impacted by 16.9% bond market drop.
Risk Solutions	Not in doc	Not in doc	Not in doc	→	Underperf	CEO Kiran Surve active in digital currency forums.
Advisory/ Research	Not in doc	Not in doc	Not in doc	→	In-line	Knowledge Partner for USIIC and Industry 4.0.
Africa Sub	Not in doc	Not in doc	Not in doc	→	Outperf	Hosted seminar on Corporate Bond markets.

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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	Improvement with pick-up in investment demand.	Requires Corporate Bond market to revert to >□1.2 Lakh Cr/qtr.	Mixed	Macro (Rate Hikes).
Guidance	Margins	Not in doc	N/A	First entry	Talent costs.
Strategy	Rebranding	CareEdge as a "Knowledge-based analytical group."	Requires consistent high-level outreach (delivered).	Delivered	Market perception.
Strategy	Competitive Positioning	Focus on Industry 4.0 and ESG.	N/A	In progress	Adoption speed.
Macro	Industry Headwinds	G-sec yields to continue upward trajectory.	High probability due to RBI hawkishness.	Accurate	Debt market freeze.
Macro	Input Cost	Inflation broad-based (6.0% - 12.6% across categories).	N/A	Accurate	Wage inflation.
Balance	Debt Target	Not explicitly stated	N/A	Delivered	None.

4. ANALYST Q&A

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

5. WHAT CHANGED vs PRIOR QUARTER

Based on comparison with Prior Context (Q3 FY22).

What Changed	Prior Quarter (Q3 FY22 Context)	This Quarter (Q1 FY23)	Direction
Bond Market Health	Issuances down 15% YoY	Issuances down 16.9% YoY	↓ Deteriorating
CP Market Health	Issuances up 49% YoY	Issuances down 10.6% YoY	↓ Deteriorating
Bank Credit Profile	1.9% for Large Enterprises	Still muted at 1.9%	→ Stagnant
Yield Environment	Rising	10-Year G-Sec at ~7.5% (Elevated)	↓ Deteriorating
Corporate Branding	Transition phase	CareEdge branding fully implemented	↑ Improving
Economic Backdrop	Focus on Budget tailwinds	Focus on Inflation and RBI tightening	↓ Deteriorating
Retail Inflation	Marginal concern	Broad-based >7% (Above RBI target)	↓ Deteriorating

STOP HERE.