CARE Ratings Ltd — Nov 2025 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Strong Beat (Profitability) / Inline (Revenue) **One-line:** The thesis is strengthening as CARE transitions from a cyclical credit rater to a high-margin analytical firm; the most critical signal this quarter is the swing to net profitability for subsidiaries, proving that global and ESG investments can scale without permanent margin dilution.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Strong Beat	Consol PAT (□57.21 Cr) significantly beat seasonality; EBITDA margins hit 50%.	□
Earnings Quality	High	Growth is operating leverage-driven; subsidiaries turned PAT positive in Q2.	□
Guidance Confidence	Strong	Delivering on "Global Scale" with $4bn rated; ESG leadership remains 1st-mover.	□
Management Credibility	Strong	Successfully navigating a 37% YoY contraction in market bond issuances to grow revenue 16%.	□
Business Quality Signal	Improving	Resilience of ratings revenue despite macro volatility proves the "sticky" nature of the bank loan rating (BLR) and mid-market book.	□
Key Q&A Exchange	N/A — no concall	PPT_ONLY mode.	□
The Street's Primary Anxiety	Market Volatility	Anxiety over falling bond issuances (-37% YoY) was offset by CARE's 16% consol revenue growth.	□
Capital Cycle Stage	Growth / Scaling	Moving from "Investment Phase" (losses in subs) to "Operational Leverage Phase."	□
Margin / Return Ratio Trajectory	Improving	Consol EBITDA margin expanded from 44% to 50% YoY in Q2.	□
Pricing Power	Stable	Revenue growth despite volume contraction in large-ticket bonds suggests pricing holding in mid-markets.	□
FCF Conversion & Quality	Not in document	Cash flow statement not provided in Q2/H1 presentation.	□
Competitive Moat Signals	Widening	Only Indian CRA with a GIFT City global scale platform and 1st-mover in ESG for PSUs/Defence.	□
Balance Sheet Strength	Strong	Zero debt; cash-rich enough to fund international expansion.	□
Working Capital Efficiency	Not in document	DSO/Receivable data not provided in Q2 deck.	□
Mgmt Guidance Track Record	Reliable	Consistently hitting "Global Scale" milestones (39 sovereigns rated).	□
Key Vulnerability / Red Flag	Non-Rating Mix	Non-ratings mix (11%) is still far from the 20% target; ratings still do the heavy lifting.	□
Management Tone	Confident	PPT focuses on "Global Analytical Group" and "Knowledge Partnerships."	□

Key Takeaways (Positives & Negatives): * **Positives:** * **Subsidiary Turnaround:** For the first time, Consolidated PAT (□57.21 Cr) is *higher* than Standalone PAT (□55.83 Cr) for the quarter, indicating that the combined subsidiaries (ESG, IFSC, Analytics) have collectively reached the breakeven/profitability inflection point. * **Revenue Resilience:** Despite a sharp 37.5% YoY decline in corporate bond issuances in the economy during Q2 (□2.0L Cr vs □3.2L Cr), CARE's ratings segment grew 16% in H1, highlighting the insulation provided by its Bank Loan Ratings (BLR) and commercial paper portfolio (+17.7% CP growth). * **Operating Leverage:** Consol EBITDA margins expanded 600bps YoY to 50% in Q2, demonstrating that the cost base is relatively fixed even as they scale global operations. * **Negatives:** * **Macro Headwinds:** Bank credit offtake is moderating (10.4% vs 13% LY), specifically in large industry (2.4% vs 14.3% LY), which could pressure "Initial" rating volumes in H2. * **Non-Rating Stagnation:** The non-rating mix fell slightly to 11% (H1) from 12% (Q1), as the core ratings business outpaced it in Q2. Reaching the 20% target will require a significant acceleration in Analytics/ESG. * **Forward-looking Watchpoint:** Watch the adoption of the "Global Scale Ratings" by international fund houses. If CareEdge Global gains traction in GIFT City, it transforms the company from a domestic player to a global alternative to the "Big Three."

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2. BUSINESS PERFORMANCE

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

Metric	Current Qtr (Q2)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (Consol)	□136.37 Cr	↑ 16%	↑ 45.2%	↑	Seasonal peak; volume growth in CP/SME.
Revenue (Standalone)	□114.27 Cr	↑ 13%	↑ 51.1%	↑	Driven by ratings business resilience.
EBITDA (Consol)	□68.41 Cr	↑ 23%	↑ 146%	↑	Massive op-leverage as subs stabilize.
EBITDA Margin % (Consol)	50%	↑ 600 bps	↑ 2000 bps	↑	44% in Q2FY25; 30% in Q1FY26.
PAT (Consol)	□57.21 Cr	↑ 22%	↑ 115%	↑	Subsidiaries now PAT positive (□1.38 Cr).
PAT (Standalone)	□55.83 Cr	↑ 12%	↑ 91.5%	↑	Strong core rating margins (49% PAT margin).
Fee Income Growth % (Ratings)	~13-16%	↑	↑	↑	Outperforming market issuance trends.
Ratings Share of Rev (H1)	89%	↑	↑	→	Ratings remain dominant contributor.
Non-Ratings Share of Rev (H1)	11%	↓	↓	↓	vs 12% in Q1; lag vs core growth.
Bank Credit Offtake (Ind.)	10.4%	↓	↓	↓	Moderating from 13.0% LY.
Corporate Bond Issuance (Mkt)	□2.0L Cr	↓ 37.5%	↓ 9.1%	↓	Yield uncertainty impacting volumes.

2B. SEGMENT BREAKDOWN (H1 FY26)

Segment	Revenue (□ Cr)	YoY Growth	Margin	Trend	vs Co Avg	Key Development
Ratings Business	□205.75 Cr	16%	~53% (SA)	↑	Higher	Rated $4bn debt in global scale.
Non-Ratings Business	□24.53 Cr	30%	15-20%	↑	Lower	ESG leader in PSU/Defence sectors.
Analytics/Advisory	Not stated	"Growing"	Improving	↑	N/A	High growth in risk consulting.
Global IFSC	Not stated	Scaling	Profitable	↑	N/A	Rated 39 sovereigns already.

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 in 3 years.	Needs ~35-40% CAGR in non-ratings; currently at 30% YoY.	Slight dip in mix (11% vs 12% last Q).	Execution in Analytics.
Strategy	International	Establish global scale ratings dominance via GIFT City.	Must scale beyond the $4bn already rated to impact P&L.	High; RBI accreditation achieved.	Acceptance by FIIs.
Strategy	ESG	Capture mandatory ESG rating market in India.	First to assign 1st-ever ratings in 6 key sectors.	High; 50% market share claim (Q1).	Regulatory shifts.
Macro	Credit Flow	Improved credit flow via RBI measures.	Depends on RBI intervention to revive large industry credit.	N/A - External.	2.4% Industrial growth.
Strategy	Diversification	Transform into a global research and analytics firm.	Move away from 89% ratings dependence.	Ongoing; Knowledge partnerships rising.	Ratings "stickiness."

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q1FY26)	This Quarter (Q2FY26)	Direction
Subsidiary Contribution	Loss-making (Consol PAT < Standalone)	Profitable (Consol PAT > Standalone)	↑
Consol. EBITDA Margin	30%	50%	↑
Macro Bond Market	+66% YoY growth	-37.5% YoY contraction	↓
Non-Ratings Revenue Mix	12.0%	11.0% (H1 Cumulative)	↓
Bank Credit Outlook	Strong (13.7% Ind. credit)	Moderating (10.2% Ind. credit)	↓
Global Scale Volume	Launching	USD 4 Billion+ already rated	↑
Sovereign Ratings	39 Sovereigns rated	Traction in Global Scale Sovereign ratings	→

INVESTOR NOTES: * **The Breakeven Signal:** The most material change is the PAT contribution from subsidiaries. Last quarter, subsidiaries were a drag on the bottom line. In Q2, they added □1.38 Cr to the PAT.

This removes the "margin-killer" overhang regarding the global expansion. * **Volume De-coupling:** The business is successfully de-coupling from the volatile corporate bond market. Despite issuances falling 37% in the economy, CARE's revenue grew 13-16%. This suggests growth is coming from (a) Surveillance fees on old debt, (b) Commercial Paper, and (c) Bank Loan Ratings (BLR) which track bank credit (10% growth). * **Thesis Trajectory:** The thesis is moving from "recovery" to "structural diversification." The fact that they can maintain 50% margins while investing in 5-6 international and non-rating subsidiaries is a testament to the business model's high incremental margins. * **Watchpoint:** Large industrial credit growth has collapsed to 2.4%. If this does not recover in H2, the "Initial Rating" revenue (high margin) for large corporates could remain under pressure, making the "Surveillance" and "Analytics" segments even more critical.

STOP HERE.