CARE Ratings Ltd — Oct 2024 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Strong Beat **One-line:** A powerful rebound in the corporate bond market (+68% YoY) combined with accelerating non-ratings growth (+37% YoY) has significantly improved operating leverage, pushing consolidated EBITDA margins to 47% this quarter.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Strong Beat	Consolidated Revenue grew 22% YoY in Q2; EBITDA grew 33%.	□
Earnings Quality	High (Core driven)	Growth is driven by core ratings volume recovery and non-ratings scaling.	□
Guidance Confidence	Strong	Management successfully launched the GIFT City subsidiary and ESG entity.	□
Management Credibility	Strong	Executing precisely on the "CareEdge Transformation" roadmap.	□
Business Quality Signal	Improving	Non-ratings share increasing to 9.5% despite a booming ratings market.	□
Key Q&A Exchange	Not applicable	Concall not available.	□
The Street's Primary Anxiety	Corporate Bond Volatility	Concerns eased as issuances surged 68% YoY in Q2 post-election.	□
Capital Cycle Stage	Growth / Investment	Investing in Global Scale Ratings (IFSC) and ESG.	□
Margin / Return Ratio Trajectory	Improving	Cons. EBITDA margin expanded from 43% in Q2FY24 to 47% in Q2FY25.	□
Pricing Power	Stable	Revenue growth (22%) outpaced market issuance growth in CPs.	□
FCF Conversion & Quality	Not in document	Cash flow statement not provided in Q2 PPT.	□
Competitive Moat Signals	Widening	First Indian agency to enter Global Scale Ratings space (IFSC).	□
Balance Sheet Strength	Strong	High liquidity; PAT growth fueling capital for new subsidiaries.	□
Working Capital Efficiency	Not in document	No detailed balance sheet in Q2 PPT.	□
Mgmt Guidance Track Record	Reliable	Delivered on the launch of CareEdge Global IFSC as promised in Q1.	□
Key Vulnerability / Red Flag	NBFC Credit Concentration	NBFC credit growth slowed to 11.9% (vs 21.3% YoY) due to risk weights.	□
Management Tone	Confident	Tone focused on "Making History" with Global Scale Ratings.	□

Key Takeaways (Positives & Negatives): * **Positives:** * **Cyclical Rebound:** The corporate bond market, which was the primary drag in Q1, has pivoted sharply with 68% YoY growth in issuances (□3.1 Lakh Cr), directly benefiting CARE's high-margin core ratings business. * **Operating Leverage:** Standalone Q2 EBITDA margins reached 56%, a massive jump from 44% in H1 overall, showcasing the profitability of the business when the debt market is active. * **Strategic Milestone:** The launch of CareEdge Global IFSC makes CARE the first Indian agency to offer Global Scale Ratings, a move that moves the needle from a domestic "credit agency" to a "global analytical group." * **Non-Ratings Momentum:** Consulting and Analytics (CAAPL) grew 37% in H1, providing a necessary hedge against credit cycle volatility. * **Negatives:** * **NBFC Slowdown:** Credit offtake to NBFCs (a major client segment) remains under pressure due to increased RBI risk weights, though this is currently offset by industrial credit growth. * **Manufacturing PMI Moderation:** While still in expansion, Manufacturing and Services PMIs have seen slight moderation, which could impact future bank loan rating (BLR) volumes if the trend persists. * **Forward-looking Watchpoint:** The success of the "Sovereign Credit Ratings" initiative through the GIFT City entity will be the litmus test for the company's global ambitions and long-term valuation re-rating.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

DATA SOURCE: Concall not available — commentary absent.

Metric	Current Qtr (Q2FY25)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (Consol.)	₹117.37 Cr	↑ 22%	↑ 48.7%	↑	Driven by 19% Ratings and 37% Non-ratings growth.
Revenue (Standalone)	₹101.51 Cr	↑ 19%	↑ 55.4%	↑	Core India rating business recovery.
EBITDA (Consol.)	₹55.72 Cr	↑ 33%	↑ 155%	↑	Significant operating leverage.
EBITDA Margin %	47%	↑ 400 bps	↑ 1900 bps	↑	Improved from 43% YoY and 28% in Q1.
PAT (Consol.)	₹46.88 Cr	↑ 31%	↑ 119%	↑	Strong bottom-line growth.
PAT (Standalone)	₹49.64 Cr	↑ 22%	↑ 106%	↑	Note: Standalone PAT higher than Consol.
EPS (₹)	₹15.41	↑ 31%	↑ 122%	↑	Consolidated basis for Q2.
Ratings Revenue (H1)	₹177.63 Cr	↑ 19%	N/A	↑	Dominant segment (90.5% of mix).
Non-Ratings Rev (H1)	₹18.66 Cr	↑ 37%	N/A	↑	High-growth diversification vertical.
Corp Bond Issuance	₹3.1 L Cr	↑ 68%	↑ 63.1%	↑	Sharp recovery from ₹1.9 L Cr in Q1.
CP Issuances (Mkt)	₹3.7 L Cr	↑ 14%	↓ 2.6%	→	Market volumes remain steady.
Bank Credit Growth	15%	→ 0 bps	↑ 110 bps	→	Stable growth despite NBFC headwinds.

2B. SEGMENT BREAKDOWN (H1FY25 Basis)

Segment	Revenue (₹ Cr)	YoY Growth	Margin	Trend	vs Company Avg	Key Development
Ratings Business	₹177.63 Cr	19%	~44% (SA)	↑	Primary	CareEdge Global IFSC launched.
Non-Ratings	₹18.66 Cr	37%	Not stated	↑	Growth	ESG entity operationalized.

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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 Ratings.	Already launched; need to sign first clients in H2.	Delivered (Licenses obtained).	Regulatory friction.
Strategy	Diversification	Increase Non-Ratings share.	On track; moved from 8.3% to 9.5% in H1.	Delivering.	Growth vs Margins.
Strategy	International	Expand Africa footprint via South Africa.	Regulatory approval received; revenue expected in FY26.	On track.	Geopolitical risk.
Macro	Credit Market	Post-election recovery in bond markets.	Achieved in Q2 (+68% YoY).	Delivered.	Interest rate volatility.
Balance	Profitability	Maintain healthy margins during growth.	Consol EBITDA margin hit 47% in Q2.	Strong delivery.	Rising employee costs.

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 (Q1FY25)	This Quarter (Q2FY25)	Direction
Bond Market	Corporate issuances down 34%.	Corporate issuances up 68%.	↑
Consol. EBITDA Margin	28% (seasonal/muted).	47% (strong rebound).	↑
Global Strategy	"License received" for IFSC.	"Launch Event" conducted for Global Scale Ratings.	↑
ESG Vertical	Approval received for Category I.	Release of first ESG ratings completed.	↑
Industrial Credit	Growth of 7.7% in large enterprises.	Sustained 7.7% growth (Aug-24).	→
Non-Ratings Mix	10.5% (distorted by low ratings rev).	9.5% (normalized against high ratings rev).	↓

STOP HERE.