NAVRATNA

Date: 27.11.2026

CARE Ratings Ltd.

Sector: Capital Markets

BUY

Company Overview

CARE Ratings (CareEdge) is an Indian credit rating agency, set up in 1993. It is the second-largest in the country by ratings revenue and has given more than 100,000 ratings to banks, companies and other borrowers.

Business: Ratings are the main business and brought in ₹423 cr, or 89%, of FY26 revenue of ₹473 cr. The company also earns from advisory work, analytics and other services, and has operations in Africa, Nepal and an international arm, CareEdge Global.

Financial position: The company has no debt and holds ₹915 cr of cash and investments. Revenue grew about 19% a year over FY24–26.

Group companies: CARE Analytics & Advisory and CARE ESG Ratings (both wholly owned), CareEdge Global IFSC, and international arms in Mauritius (Africa), South Africa and Nepal.

Key Data

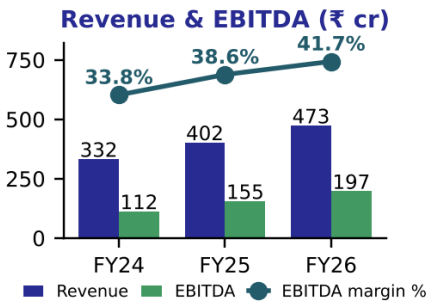
CMP	₹1523
Market Capitalisation	₹4590 Crs.
52 Week High/Low	₹ 1838 / 1393
50 DMA & 200 DMA	1605 / 1620
P/E	23.8
D/E	0.02

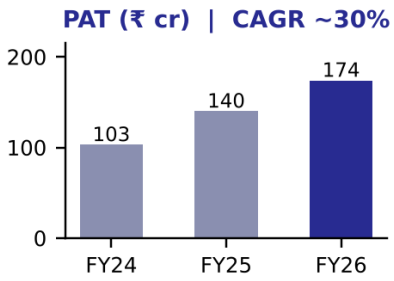
Investment Thesis

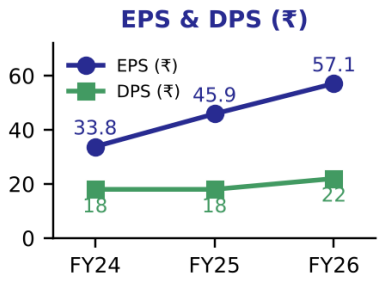
We rate CARE Ratings a **BUY** with a horizon of more than two years. The sector backdrop is supportive: bank credit growth is 19.1% as of end August 2026 (vs 10.3% a year ago), CP issuance is up 24.1% in H1 FY27 (CP ratings are RBI-mandated), and RBI capital-charge rules link bank risk weights to rating quality. Ratings earn about twice the margin of non-ratings work at all three listed agencies. Company-specific drivers add to this. CARE holds about 24–25% of incremental debt rated, has a 5,200+ entity surveillance base that recurs at high margins, and has new vectors in CareEdge Global, ESG, Analytics and Africa/Nepal. Operating leverage is already visible: FY26 Operating margin rose to 42%, and H1 FY27 PAT grew 26% on 20% revenue growth..

ROCE	26.3%
ROE	19.7%
Revenue Growth Q2FY27	20%
OPM Q2FY27	52%
PAT Growth Q2FY27	27%
CFO/EBITDA FY26	107%
EPS TTM	64.13
Pledged Percent	0.00%
Change in FII (last Quarter)	0.2%

Financial Snapshot







Our take:

● Steady compounding: Revenue grew about 19% a year over FY24–26 and PAT about 30%. FY26 revenue was ₹473 cr (+17.6%) and PAT ₹174 cr (+24%).

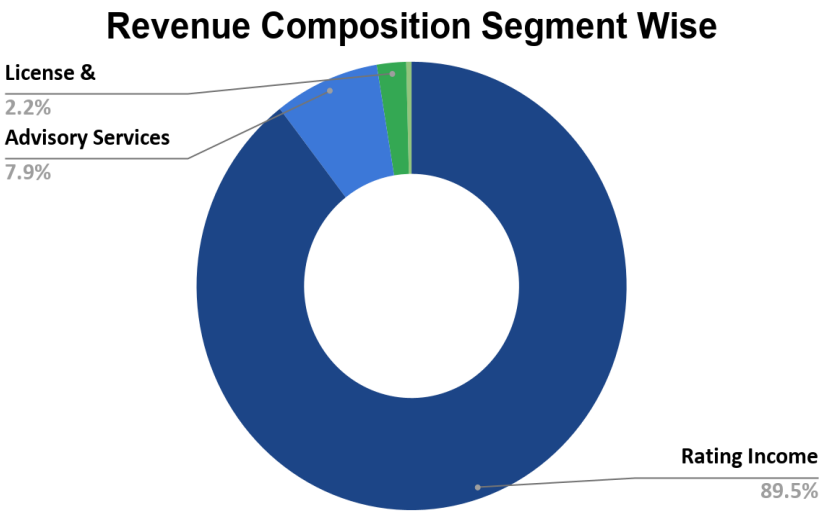
● Margins are widening: Costs grew slower than revenue, lifting the FY26 EBITDA margin by 310 bps to 41.7%.

● Ratings is the engine: ₹423 cr, or 89% of revenue, and growing +17%. Non-ratings are small (11%) but growing faster at +19%.

● Momentum continues: H1 FY27 revenue was ₹275.8 cr (+20%) and PAT ₹105.4 cr (+26%).

Revenue Composition (FY26)

Revenue Segments	Revenue	Split
Rating Income (including surveillance income)	423.4 Cr.	**89.5%**
Advisory Services	37.4 Cr.	**7.9%**
License & Implementation fees	10.3 Cr.	**2.2%**
Other Rating Income	2 Cr.	**0.4%**



Shareholding Pattern

CARE Ratings has no promoter holdings.

Category	Jun 2026	Sep 2026	Change (pp)
Promoters	0.00%	0.00%	0.00
Domestic Institutions (DII)	31.58%	32.22%	2.02%
Foreign Institutions (FII)	23.41%	23.61%	0.85%
Public / Retail	45.01%	44.18%	-1.84%

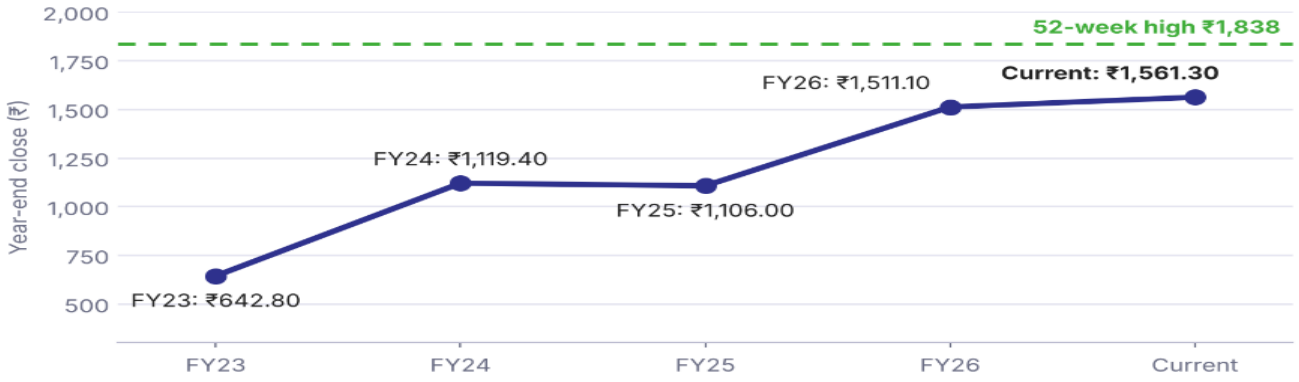


Figure: Price Chart

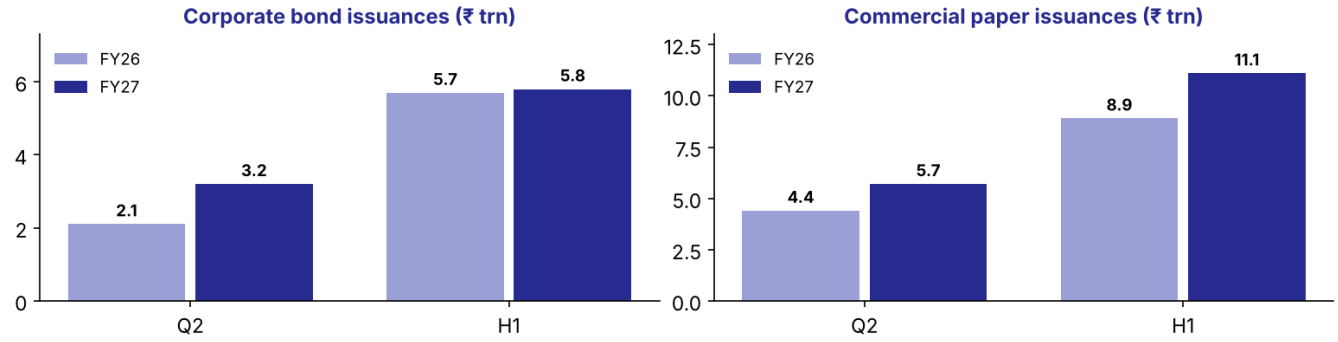
Peer comparison CARE vs CRISIL vs ICRA

Items	CARE	CRISIL	ICRA
Period	H1 FY27	9M CY26	H1 FY27
Ratings, % of revenue	89%	30%	56%
Non-ratings, % of revenue	11% (analytics, ESG, global)	70%	44%
Ratings margin	48% (standalone India, EBITDA)	46.6% (segment)	37.6% (segment)
Non-ratings margin	12% (subsidiaries)	20%	24–25%
Ratings share of profit	95% of EBITDA	50% of segment profit	66% of segment profit
Revenue growth	+20%	+25.7%	+30.7% (acquisition-led)
PAT growth	+26%	+24.7% (Q3: +5.9%)	+20% (Q2: +9.2%)
Group margin	43% EBITDA	26.8% PBT	32% PAT
Market cap	₹4,800 cr	₹31,800 cr	₹4,280 cr
P/E (TTM)	25–27x	35x	22x
ROE / RoNW	18.4%	27.4%	15%
Dividend yield	1.4%	1.5%	2.4%
Cash and investments	₹915 cr, debt-free	₹1,347 cr	₹700 cr+ (analyst est.)

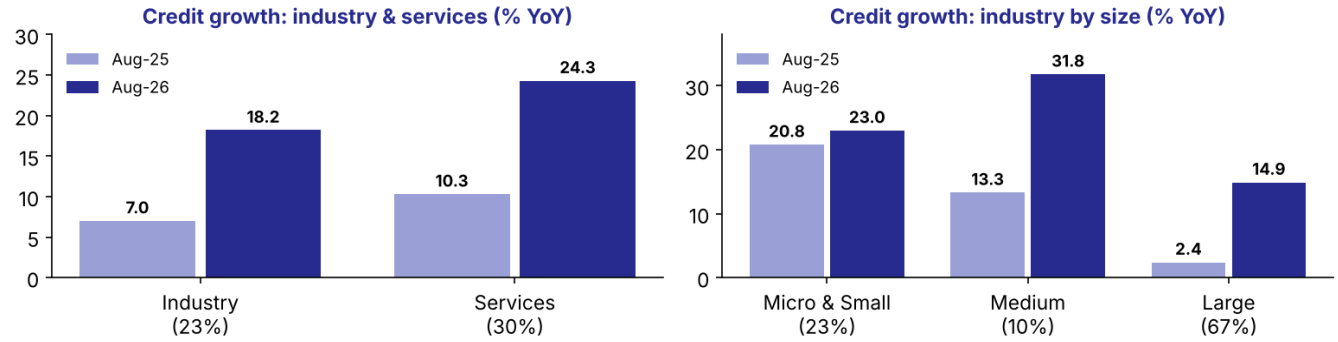
- Ratings is the profit engine everywhere: Roughly 2x the margin of non-ratings at all three. CARE is the purest play (89% of revenue, 95% of EBITDA) and so the least diversified.
- Mix risk differs: Crisil's mix is shifting toward lower-margin RAS (70% of revenue; margin slid to 17% in Q3). ICRA has the weakest ratings margin (37.6%), a gap management concedes.
- Earnings quality favors CARE: Profit outgrows revenue (+26% vs +20%) on operating leverage; at ICRA and Crisil revenue outgrows profit.
- Valuation: ICRA is cheapest (22x, 2.4% yield) but has the weakest margins; Crisil is the most expensive (35x), backed by the highest ROE and S&P parentage. CARE (25–27x, 18.4% RoNW, debt-free) sits in between.
- Where CARE lags: Revenue growth (20%) trails ICRA (31%) and Crisil (26%), and its non-ratings arm is still sub-scale at 11% of revenue.

Macro Back Drop: Fund Raising & Bank Credit

Fundraising activity in the economy



Bank credit offtake



● Q2 drove the H1 recovery: Bond issuance of ₹5.8 trn was +1.7% for H1 only because Q2 rose sharply after four straight quarters of contraction. Implied Q1 FY27 was roughly −28% (₹2.6 trn vs ₹3.6 trn), in line with the −29% cited in Section 7.
● Rate-hike pull-forward: CareEdge attributes the rebound to firms front-loading borrowing before the expected hikes; the RBI then raised the repo rate 25 bps to 5.50% in October. A pull-forward can mean softer issuance ahead.
● CP is the steadier lever: CP issuance of ₹11.1 trn (+24.1%) is the stronger signal for CARE, since CP ratings are RBI-mandated.
● Broad-based acceleration: Total bank credit growth of 19.1% is nearly double the 10.3% a year ago, with industry at 18.2% (7.0%) and services at 24.3% (10.3%).
● Mid-sized borrowers lead: Medium industry credit grew 31.8% and large industry credit recovered to 14.9% from 2.4%. Large industry is 67% of industrial credit, so it contributes the most volume.
● Read-through is directional: Higher loan volumes should feed bank-loan ratings, but management does not disclose the loan versus bond split of ratings revenue, so do not model a fixed link.

Rating Methodology

Investment Rating	Expected Return (Over 12 Months)
BUY	≥ 15%
SELL	< -10%
NEUTRAL	-10% to < 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	Forward-looking estimates for the stock are available, but no investment rating has been assigned.

Key Risks:

- **Regulatory dependence:** Any relaxation by RBI/SEBI of mandatory ratings would hurt demand. RBI's internal-ratings approach could also reduce banks' need for external ratings.
- **Weak bond market:** Bond issuance has fallen, and the recent rebound has been very modest. It was helped by issuers front-loading before the October repo rate hike. Loan ratings earn less revenue per rupee than bond ratings.
- **Softer credit cycle:** The credit ratio has declined. Macro risks include West Asia and oil tensions, a weak monsoon, and inflation.
- **Lumpy quarters:** Margins swing sharply from one quarter to the next, and there is no formal guidance. Extrapolating from a single quarter can mislead.
- **Quality of earnings:** A meaningful share of profit before tax comes from other income, which depends on treasury yields. Non-ratings revenue is a small part of the total, and it carries ESG and CareEdge Global loss-making.
- **Peer growth gap and people cost:** Revenue growth lags the peer ICRA. Attrition is high, and employee cost takes up a large share of revenue.

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Sources: Investor Presentation, CARE Concall, Financial Report FY26

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