



ICRA

ICRA Limited

June 5, 2025

BSE Limited

Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai 400001, India
Scrip Code: 532835

National Stock Exchange of India Limited

Exchange Plaza,
Plot no. C/1, G Block
Bandra-Kurla Complex
Bandra (East)
Mumbai - 400051, India
Symbol: ICRA

Dear Sir/Madam,

Sub: Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed transcript of "Q4 & FY25 Results" earnings call held on June 2, 2025.

We have uploaded the transcript on our website and the same can be accessed through the below URL:

<https://www.icra.in/InvestorRelation/Index>

Kindly take the above on record.

Regards,

Sincerely,

(S. Shakeb Rahman)
Company Secretary & Compliance Officer

Encl: As Above



“ICRA Limited Q4 FY-25 Earnings Conference Call”

June 02, 2025



MANAGEMENT: **MR. RAMNATH KRISHNAN – MANAGING DIRECTOR AND GROUP CHIEF EXECUTIVE OFFICER, ICRA LIMITED**
MR. VENKATESH VISWANATHAN – GROUP CHIEF FINANCIAL OFFICER, ICRA LIMITED
MR. L. SHIVAKUMAR – EXECUTIVE VICE PRESIDENT, BUSINESS DEVELOPMENT AND CHIEF BUSINESS OFFICER, ICRA LIMITED; AND CHIEF EXECUTIVE OFFICER, ICRA ESG RATINGS
MR. K. RAVICHANDRAN – EXECUTIVE VICE PRESIDENT AND CHIEF RATING OFFICER, ICRA LIMITED
MR. JAYANTA CHATTERJEE – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER, ICRA ANALYTICS LIMITED
MR. ABHISHEK DAFRIA – HEAD OF GROUP STRATEGY AND BUSINESS TRANSFORMATION, ICRA LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to the ICRA Limited Yearly FY 2025 Investor and Analyst Conference Call.

As a reminder, all participants' lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

Joining us today from the Management side, we have Mr. Ramnath Krishnan – Managing Director and Group CEO, ICRA Limited; Mr. Venkatesh Viswanathan – Group Chief Financial Officer; Mr. L. Shivakumar – EVP, Business Development and Chief Business Officer, ICRA Limited and CEO, ICRA ESG Ratings; Mr. K. Ravichandran – Executive Vice President and Chief Rating Officer; Mr. Jayanta Chatterjee – MD and CEO of ICRA Analytics Limited; and Mr. Abhishek Dafria – Head of Group Strategy and Business Transformation, to discuss the performance of the Company, followed by a Q&A session.

Before we begin today's conference call, I would like to remind you that some of the statements made in today's conference call may be forward-looking in nature and may involve some risks and uncertainties. Please refer to Slide #22 of investor presentation for detailed disclaimer.

ICRA or any of its subsidiaries or the directors, officers or employees of ICRA or its subsidiaries shall have no liability whatsoever for any loss howsoever arising from any forward-looking statement or use of the Investor Presentation or its contents or otherwise arising in connection with this Conference Call.

Now I would like to hand over the call to Mr. Ramnath Krishnan – Managing Director and Group CEO, ICRA, to commence the proceedings. Thank you, and over to you, sir.

Ramnath Krishnan: Thank you, operator, and good afternoon, everyone. Thank you for joining us today. It's my pleasure to welcome you to ICRA's Earnings Call for the 4th Quarter of the last financial year, and for the full financial year ending 31st March 2025.

I will walk you through the “Highlights of our Performance, Key Strategic Developments and our Outlook” for the coming year.

In the 4th Quarter of the last financial year, the Group recorded a top line increase of 9.8% with the Ratings division showing a year-on-year growth of 15.1% and the Research and Analytics segment seeing a year-on-year increase of 2.9%. Despite making substantial investments in technology, people and infrastructure, we achieved a PAT growth of 19.1% in the last quarter of the last financial year.

In the full financial year, the Ratings business delivered an impressive growth of 14.4% year-on-year, whereas Research and Analytics recorded an increase of 8.3% year-on-year. Our overall top line increased by 11.6% year-on-year at a group level, leading to a PAT growth of 12.5%.

Our Ratings segment delivered healthy margin expansion, driven by strong top line growth and improved operating leverage. In Research and Analytics, while the business witnessed growth across its core verticals, the planned conclusion of ESG services tempered overall momentum. Additionally, an increased contribution from the non-global businesses has resulted in some change in the margin profile in the Risk and Analytics vertical. We, however, remain focused on scaling high-value solutions, deepening client relationships and driving sustainable growth through innovation and analytical excellence.

I am pleased to advise that the Board has recommended a dividend of INR 60 per share, subject to shareholders' approval.

Now moving ahead, we continue to strengthen our strategic positioning through key partnerships. Our alliance with BitSight, a global leader in Cyber Risk Management, enables us to bring advanced cybersecurity solutions to Indian enterprises. Additionally, our partnership with FTSE Russell marks our entry into domestic fixed income space, allowing us to co-develop customized indices tailored to the Indian market, further reinforcing our role as a trusted provider of data-driven insights.

Alongside this, we have broadened our product portfolio with several impactful additions to our analytics and research suite. These include customised research, Infre360, a data analytics tool for the InvIT and REIT space and the landmark implementation of SEBI's Prevention of Market Abuse framework across all asset management companies in India. These additions not only reinforce our leadership in the mutual fund and risk analytics space, but also reflect our commitment to delivering technology-driven solutions to our clients.

In our Global business, while we saw healthy growth in the core analytical support services, overall momentum was moderated by the planned exit from ESG-related assignments. That said, we are actively adapting to the shift towards AI and automation, supporting clients and business transformation initiatives, modernizing legacy systems and embedding new technologies to drive efficiency and seamless change.

ICRA ESG, a subsidiary of ICRA Limited, which received its license in April 2024, published 5 ESG ratings across key sectors in its first year of operation. While this was covered in our earlier update, we remain encouraged by the initial traction and response from our stakeholders.

Coming to the “Macroeconomic Outlook”:

India's GDP growth improved in the second half of last financial year. This improvement has largely been driven by pickup in government capital expenditure, improved rural demand aided by healthy crop output and a healthy growth in services exports, even as the performance of merchandise exports has been weak amid sluggish global demand and enhanced uncertainty around tariff-related developments towards the end of the last financial year.

While FY '26 has begun with heightened uncertainty around global trade policies, the outlook for domestic drivers of growth, including private consumption and government investment appears largely resilient, given the personal tax relief, monetary easing, expectations of an above-normal monsoon, and lower food inflation, and healthy growth in budgeted capital expenditure.

The outlook for merchandise and IT exports and private capital expenditure, especially in export-oriented sectors, appears muted, although relative tariff scenario will evolve as the year progresses.

Based on the latest information available and our estimates, ICRA forecast GDP growth to dip slightly to 6.2% in this financial year FY '26 from 6.5% estimated for the previous financial year.

“Credit Environment”:

The last financial year saw a moderation in economic activity due to election-related uncertainty, softer consumption and global geopolitical headwinds. These factors, along with a high base effect, led to a slower credit growth. Bond issuances grew by 7.2% versus 17.2% in the previous year, while bank credit eased 10.9%, impacted by tighter liquidity and higher risk weights on NBFC exposures. CP issuances, however, rose 14% as firms opted for short-term funding, and securitization volumes expanded by 25%, led by strong demand from NBFCs and private banks.

Looking ahead, with lower inflation print, expected rate cuts has gained significance. The consumption and government infrastructure investment story remains intact, and with strong demand, credit market should find support, and bond issuances should benefit from rate cuts as these have quickest transmission.

Moving on to the performance of our “Credit Ratings”:

FY '25 marked the 4th consecutive year of improving credit profiles with ICRA's rating upgrades consistently outnumbering downgrades during this period by at least 2:1. Although the credit ratio of ICRA assigned rating defined as the ratio of the number of entities upgraded to that downgraded, moderated to 2 in FY '25 from a peak of 3 in FY '22, it continues to remain healthy.

“Research and Analytics”:

We continue to see strong traction across market data and risk management with robust demand for our offerings. Looking ahead, Risk and Analytics is poised for growth, driven by ongoing regulatory focus in banks and NBFCs. We see a strong momentum in credit flow automation, model governance, early warning systems, expected credit loss and stress testing.

Demand for high-quality customised research is rising among investors. Expanding our global Knowledge Services business continues to receive attention, deepening partnerships in indices and cybersecurity, and advancing AI-led automation will be our key growth drivers looking ahead.

Thank you very much for your attention.

Moderator: Should we begin with the question-and-answer session, sir?

Ramnath Krishnan: Yes, please.

Moderator: Ladies and gentlemen, we will now begin the question-and-answer session. We take our first question from the line of Balaji from IIFL. Please go ahead.

Balaji Subramanian: Good afternoon. Thanks for a good set of numbers. I have a couple of questions. So the first one is on the industry revenue growth, which we saw in FY '25 and based on the numbers which we have seen for your listed peers as well as unlisted peers, it does appear that FY '25 at around 16-odd % revenue growth for the industry was the best in a long time.

And this is despite the fact that, as you rightly mentioned in your opening remarks, both bond issuances and bank credit growth saw a slowdown. So what explains this divergence between what is happening at the macro level and what we have seen as far as the industry's numbers are concerned?

The second question would be on your own rating revenue growth. While 14.4% for the full year is pretty impressive, it's still a little below the 16-odd % that we saw for the industry. So any reason for that? And what are your steps to gain market share going forward?

L. Shivakumar: Yes. Balaji, thanks. This is Shivakumar here. First, I will respond to your first question, which is the divergence between the macro credit numbers and industry growth, generally speaking. A. I cannot comment on the performance of our competitors, so I will try to explain this divergence vis-a-vis our own numbers.

While both bond issuances as well as bank credit growth, moderated relative to what we saw in the last 2 years, we must remember that both bond issuances as well as bank credit grew on a

very high base. The 2 years before FY '25, they had grown quite significantly. So while this seems like a moderation, it's still a growth on a high base. That's point number one.

Secondly, in the 2 years preceding FY '25, since the credit market growth was very strong, we did do quite well in terms of adding to our fresh revenue base, which helps in terms of surveillance in the subsequent years, FY '25 being one.

So broadly speaking, the way I would harmonize these numbers is that it was a growth on a high base and the nature of our business is such that it has, as you know very well, fresh rating fee as well as surveillance. So we benefited that way.

Your second question was divergence vis-a-vis competition. But as I mentioned, I cannot comment on others' performance, because we have no idea of their specific revenue composition, et cetera.

As far as our own performance is concerned, we did do quite well in the segments in which we have been focused on, which we mentioned even in our earlier investor meets, that we are focused on growth segments like infrastructure, BFSI. We continue with that strategy. At the same time, we also are very mindful that we do not go below a certain threshold pricing, because it is important for us to ensure that our due diligence standards are maintained. So our strategy pretty much was similar to what we did in the previous 2 years, previous to FY '25, and that's what has helped us in the growth this year.

Moderator: Balaji?

Balaji Subramanian: That is quite helpful. I had a quick follow-up, if I may, on the EBIT margins for the Rating segment. So we are now almost inching towards the pre-IL&FS crisis levels of margin. But that said, it does appear that there is still a fair bit of headroom in terms of margin expansion. So any thoughts on that?

Venkatesh Viswanathan: Balaji, this is Venkatesh. We don't specifically comment upon margins. But having said that, in Rating business if we are able to achieve the top line, which we have been achieving in the past, the operating leverage should kick in, and we should be able to expand margins. So it's largely a function of the revenue growth. If we are able to maintain that, I am sure we will be in a position to show decent expansion in margins as well.

Balaji Subramanian: Thank you. That's all from my side and all the best.

Moderator: Thank you. Next question is from the line of Vishruti from Thinkwise Wealth Managers LLP. Please go ahead.

Ms. Vishruti, please unmute your phone, and go ahead with your question, please.

Since there is no response, we will move on to the next question from the line of Ravi Purohit from Securities Investment Management. Please go ahead.

Ravi Purohit:

Yes. Hi. Thanks for taking my question. A couple of questions. One is on the non-rating business. There has been some plateauing of growth there on the sales side. And if you remove the acquisition, I think D2K, then there's probably a small drop in the overall revenue stream. So can you just comment on what path is this business kind of likely to take? What are the initiatives? What are the steps that the company is looking at? Because our long-term intention has been to grow and focus on the Non-Rating business as well. That was one.

And the second question was that in the last 3 years, there has been a lot of tech investments that we have made in our business. And I think we had called out this in the last few con-calls as well that the investments are significant and necessary from the future point of view and that they will be around for a couple of years. So are we towards the fag end of those expenses? Do we see benefits out of those? Or is that process still an ongoing process? So those are my 2 questions.

Ramnath Krishnan:

Thank you. Hi, Ramnath Krishnan here. The Research and Analytics business has actually grown by 8% in the financial year that has actually gone by, which includes D2K as well. So what has remained relatively more modest in terms of growth is our Knowledge Services business. And that, as we said earlier, that is on account of discontinuation of some of the ESG-related offerings, which we had, in fact, expected before the start of the last financial year.

So the other businesses, market data, risk management, D2K, all of them have delivered growth and respectable growth, which is what at an aggregate level, given the fact that the Knowledge Services business is a fairly chunky business has resulted in a growth of actually 8%. So this continues to be an area of focus for us, growing the non-ratings business.

And if you look at the composition at a group level, our intent was to have a more balanced revenue stream. And at the present time in the financial year that has actually gone by, the breakdown between our Ratings business, Ratings revenues and the non-ratings revenues is roughly about 60%-40%, which is significantly better balance than where we were, let's say, a couple of years ago.

Moving on to your next question. As far as IT spends are concerned, yes, one of the reasons why we are also in a position to deliver better operating margins, as you are able to see, is a result of the IT investments, IT interventions that we have been investing in, over the last few years. Now are we still on this journey, and then do we have some more years to go? We're still on the journey for surely. But obviously, the spends in terms of absolute quantum will slowly start tapering off.

Ravi Purohit:

Right. So just going back to the first question, right, in the sense, what are the avenues of growth that we are looking at to grow our non-rating business, right? We derive some business from Moody's. There are some acquisitions that we have made. How should, as a long-term investor, I visualize the growth path for non-ratings business.

What is our strength? What are the areas that we are focusing on? What are the areas that we can actually get business from, right? So Ratings is a fairly simple animal to understand, because it's a fairly straightforward business in that. But non-ratings is where we have absolutely no idea in the sense how do we go about identifying what business to pitch for, what is the right to win that we have in that business? Can it grow? If it can grow, how big can it be over a period of time? So if you could just spend some more time guiding us to the path which we should focus on or look forward to in the future for the non-ratings business.

Ramnath Krishnan:

Sure. Now, can it grow? The answer is absolutely yes. We won't be actually investing in it if we didn't have that confidence. Our strength actually lies in the risk analytics space. So that is where we will remain focused. Our target customer base is essentially the BFSI space as far as the domestic business is concerned, domestic risk analytics products are concerned. So that is one area of growth.

What is our right to win? Obviously, you need to have products that are actually fit for purpose, which is why we have been investing in terms of product enhancements quite a bit over the last year or so to make them absolutely comparable to what's available in the industry or what's best-in-class and that is what gives us the right to win. And these efforts, these spends that we have been incurring obviously have resulted in the desired outcomes in this year, and we expect that to continue going forward as well.

So as far as the Knowledge Services business is concerned, naturally, we are actually looking at avenues outside of Moody's that we can actually penetrate. But again, that will be in areas similar to where we are engaged at the present time.

Venkatesh Viswanathan:

So just to add, Ravi here, I think when we look at the Analytics business, we look at from 2 different perspectives. One is the global business, which is the Knowledge Services. Again, if we look at the past 1 year, we had the impact of the ESG business tapering off and if we exclude that, we had seen some growth there. So there will be some volume growth, which will continue to happen in this, depending upon how the projects are given from Moody's and it's not that it's going to taper off.

But yes, it will have its own set of challenges considering there's a lot of automation which kicks in on a periodic basis, but that's something which is quite specific to the industry as a whole.

On the non-other business that we have, I think in the near term, the thought process is to grow this, and at least make this 50-50 on the analytical side. That's how we are actually looking at

from a sizing perspective to the non-ratings, Non-KS business to be similar in size to the KS business over the next 3 to 4 years.

Ravi Purohit:

Yes. Please excuse my ignorance, right? So I am just trying to visualize, can you provide a use case, right, of a non-ratings business that you are doing for an overseas client, for example, or Moody's, for example, like what exactly would you do, right? So when we look at, let's say, an IT company or a consulting IT company, right, or some KPO, right, what they essentially will do is they will be working on some industry research or some company research or some annual report analytics or some data feeding into something that needs to be done in the overseas operations. What is it that we do, right, as a ratings company, which has very, very strong database on research and analytical skills, if you could provide a few use cases, that will be helpful for us to understand and appreciate the business that we do on the non-ratings.

Jayanta Chatterjee:

Yes. So, Ravi, I will just explain that part of it. This is Jayanta Chatterjee here. So as you mentioned, if ICRA Analytics were to go into the global market and look for business, what is the use cases that we are looking at. So over the last more than 20 years, what we have been doing with Moody's has been largely in the area of data analytics, in the area of data management and business transformation. And these are the areas in which there is going to be significant work even in the non-Moody's plan.

Specifically, we think from the BFSI segment, there could be a lot of business which would come in the area of data management. and also in the area of data analytics. And those are the things that we are now going to look at beyond Moody's. This is right now at a stage where we are just going into this area, because we have been servicing Moody's for a very long time. Not that post-ESG, we are not looking at expanding our share there. We are constantly looking at how we can service more and more of Moody's requirements in this area, and even going beyond data management, data analytics, business transformation and technology services into areas of research, ratings, finalizations and things like that, which would come up. So those would be further penetration into Moody's. But if we are looking at non-Moody's specifically, which you were asking, then it would be in the areas which I mentioned.

As far as overall trajectory of ICRA Analytics is concerned or the non-ratings business is concerned, as you know, forward-looking statements are not given by us. But as far as the Risk and Analytics business is concerned, it has got 3 components. This is the non-KS part of ICRA Analytics. So there is market data, there is risk management and there is D2K.

Each of these are also businesses which have grown very well during FY '25, and that is what has contributed to the overall growth and market data itself has come in with security level valuations, which we are providing to the mutual fund industry in India and the valuation data is also now something which is sought by global clients as well, and that is something that we provide, a lot of the global clients who are now seeking that data from us.

We also have started our journey on customised research, which was mentioned by Ram, and that has grown very well. This is something which is required by the industry, especially in the companies which are going for IPOs and QIPs and even in other investors, large investors who look at research, and that is something which is expected to grow quite fast as we go along.

In the risk management domain, credit risk is something which is our core expertise, and we have got products which service the Banking segment or the core product is IRS 3.0, which services the internal risk rating system for banks, and we have been adding bank customers as we go along in FY '25, and we also are currently working on a large number of assignments.

Expected credit loss is another area where we have built a tool, which is quite state-of-the-art, and that is also something where we see a lot of demand. As you know, the regulatory landscape in India has also been looking at areas like model governance in FY '25, RBI came out with guidelines on model governance and model validations that has become one area of growth for ICRA Analytics in the risk management space as well.

D2K is an established provider of services and their early-warning systems are something which are greatly in demand in the industry. We see a lot of demand from NBFCs and banks for this product. Asset classification, loan origination system, loan management system, these are the things which D2K provides, and that dovetails very well with our risk management solutions.

So overall, if you see D2K is working in the areas of credit monitoring, regulatory reporting and data management, all 3 of which we see as good levers for growth in future. So broadly, these are the areas where, Ravi, we think that growth will come from, and we are in a growth phase and expansion mode. These businesses will only grow as we move along. I hope that addresses your question.

Ravi Purohit:

Okay great. Thanks a lot and I will get back in the queue. And all the best.

Jayanta Chatterjee:

Thank you.

Moderator:

Thank you. We will take our next question from the line of Rajiv Mehta from Yes Securities. Please go ahead.

Rajiv Mehta:

Yes, hi good evening. Congrats on good results. So my first question is, has there been any change in our market share in focus segments of ratings like BFSI, Infra, say, in particular bond ratings for BFSI segment or say Infrastructure segment or maybe for rating of Securitization transactions where we were traditionally very strong, have we sort of gained some bit or lost some bit market share in the segments?

L. Shivakumar:

Broadly speaking, in all these focus segments, Infra, BFSI and within that Securitization, if you look at the overall position, we have maintained, we have gained a bit. In the last year, we did

acquire or we onboarded few large companies, including some groups where we gained an entry. So that way, yes, we have maintained in most segments. And within certain segments, we have also increased our coverage.

Rajiv Mehta: Okay. And can we further quantify this maybe in terms of actively rated clients for ICRA, where they are right now versus what the number was say a year back? Has there been net growth in the actively rated corporates? What has been the extent of net growth in the customer base?

L. Shivakumar: We don't put out the market share numbers as such. But as I mentioned, in most segments, we have maintained our position. And in certain segments, particularly the large corporate groups, we have actually increased our presence. Yes, So that's the broad position, particularly in Debt Market segment, our position continues to be strong, where we are one of the preferred rating agencies, that continues.

Ramnath Krishnan: So just to elaborate further to what Shiv just said, whilst we track the market share closely, we are also extremely mindful of focusing on the profitable segments, and which also might mean that sometimes we deliberately might choose to stay away from large value transactions, but that are not particularly high yielding. So our focus essentially is on profitable segments and consistently improving our pricing thresholds.

Rajiv Mehta: And sir, you spoke about trying to push pricing thresholds. Is there any metric through which we can track it or which you can share with us how that has progressed for us through the year, maybe in terms of, say, average fee per mandate, yes. Is there a measure of it how we have progressed so far in that and where we can reach?

Ramnath Krishnan: No, we have a measure, surely, but that's obviously not something that we can share. And one way of looking at it is for us we are in a position, one of the many reasons behind actually us being in a position to demonstrate consistent improvement in margins, particularly in the last 3 years in the Ratings business is as a result of this, besides, of course, improved efficiencies through technology and so on and so forth.

Rajiv Mehta: Okay. Okay. And on this Knowledge Services, now that you have completely recouped the impact of ESG project, I am assuming here that the full impact is behind us. And incrementally, then one can look for incremental growth, given the fact that now the base itself will not degrow.

So in that sense, I think in one of the answers, it was elaborated that we are still looking out for more penetration opportunity, and looking beyond even in newer areas. What about non-Moody's? I think I remember, sir, you saying that we were engaging with some sales accelerators to acquire clients even outside the Moody's universe. Has there been any breakthrough in engaging or getting into clients and other institutions besides Moody's?

Jayanta Chatterjee: Yes. So, Rajiv, Jayanta Chatterjee here again. So basically, what you are saying is right, we had started the process of engaging with sales accelerators and global consultants to drive this business. As you know, it's a long process, coupled with the fact that we have hit a kind of situation where the global uncertainty led by tariff announcements have seen a situation where overall the discretionary spend in the Banking segment itself is also seeing some reconsideration.

So given this, obviously, the closure of new business does take its own time. But I can tell you that, yes, these conversations are accelerating and they are taking shape. And they have moved ahead from the time when we had mentioned it, but it's on the right track in that direction.

Rajiv Mehta: Understood. And just one thing. Sequentially, when I look at the growth of Research and Analytics, now there is an uptick Q-on-Q. Generally, we shouldn't look at the Q-on-Q number. But given the fact that the ESG project headwind is behind us, can one look at a more healthier growth in the Knowledge Services fees, or overall Research and Analytics fees going ahead with this problem behind us? I know you don't give out any quantifiable guidance, but directionally, would that happen?

Venkatesh Viswanathan: So, Rajiv, I think you said it right, we don't give a guidance on this. And our expectation is that, obviously, we get projects from Moody's and grow this business. So if we get couple of projects, something like ESG, I am sure the growth trajectory will continue.

TAs you rightly pointed out the impact for the ESG is something which has tapered off in Q3. That's why you are seeing a sequential growth in Q4 versus Q3 which we had outlined this in our press release also. We saw some good volume growth in the ongoing BU support that we do for the Analytics business, which was offset by the loss of ESG business.

Rajiv Mehta: Okay. Thank you and best of luck. I will come back in the queue.

Venkatesh Viswanathan: Sure.

Moderator: Thank you. We will take our next question from the line of Vishruti from Thingwise Wealth Managers, LLP. Please go ahead.

Vishruti: Yes. My question was that the working capital days has significantly increased. So what is the reason behind such a significant increase?

Venkatesh Viswanathan: See, the question is working capital days have increased, right? That's the question, right?

Vishruti: Yes.

Venkatesh Viswanathan: It's just that year-end and timing. There's nothing specific to call out for us on this.

Vishruti: Yes. And I had one more question.

Venkatesh Viswanathan: Yes.

Vishruti: So can you'll help us with the geographic concentration of the customers like segment-wise breakup, if any?

Venkatesh Viswanathan: You are saying the geographic segmentation, is it?

Vishruti: Yes.

Venkatesh Viswanathan: At this point in time, we have not disclosed, but the detailed annual report, which will come out, I think that in that you will find disclosure with respect to segmentals.

Vishruti: All right. Thank you.

Venkatesh Viswanathan: The previous year segmental would also give you detailed information and profile would have not changed significantly.

Moderator: Does that answer your question, Vishruti?

Vishruti: Yes. Thank you.

Moderator: Thank you. We have a question from the line of Ravi Purohit from Securities Investment Management. Please go ahead.

Ravi Purohit: Yes, hi. Thanks for allowing me the second question. So my question this time is on capital allocation, right? So we have more than INR 1,000 crores cash on the balance sheet. Ours is not a business that requires either physical assets or very significantly large working capital requirements, right?

And it generates a fairly decent amount of cash every year. We did increase our payout ratio a little bit in the last few years. But is there any thought process, because the cash lying there earns about 3%, 4%, 5% post tax, and then it just keeps getting accumulated, right? So it does not really add value either to the promoters nor to shareholders, right? So if there is any thought that you could share with us, it will be helpful.

Venkatesh Viswanathan: So, Ravi, just to answer the question, on the cash requirement, we do an annual / quarterly review. As you pointed out, in the last 2 to 3 years, wherever we have had excess balance, we have tried to return to the shareholders. We have declared a special dividend over the last 2 years. Even the normal dividend, if you see from INR 27, we have moved to INR 60 per share.

We try to do is we try to strike a fair balance between what we want to retain and there are some expectation in terms of how we want to invest this money internally. And if at some point in

time, again, if we feel that there is an opportunity for us to reallocate back as a dividend, we will be happy to do it.

So from a philosophy perspective, We are aligned to the fact that any money that is not required by us for the next 3 to 4 years, we are happy to relook at it and see if distribution makes more sense.

Ravi Purohit: So are you saying that you have certain things in mind, meaning are you looking to acquire companies as much as like INR 500 crores, INR 1,000 crores worth of acquisitions or more...

Management: I would not be able to specifically comment upon acquisition, because that's an UPSI. What I did mention was that we have proposals that we are looking at either investing e organically or inorganically, it could be both and it's an ongoing activity that we do. And let's say, by 6 or 8 months, if we find nothing is progressing, we will definitely look at either increasing the payout ratio or in some other way, returning the cash to shareholders.

Ravi Purohit: Okay. Thank you, and all the best.

Moderator: Thank you. We will take our next question from the line of Advait Lath from Nippon India Mutual Fund. Please go ahead.

Advait Lath: Congrats on a great set of numbers, sir. Just wanted to ask, has there been a regulatory push or some regulatory support that is helping us increase the TAM of the ratings market in India? And what is the share there, if you can provide some guidance there? Not guidance, but some color there?

L. Shivakumar: No, I didn't get your question entirely. You said TAM, is it the Total Addressable Market is what you are talking about.

Advait Lath: So just wanted to see there for the Ratings segment specifically. Has there been some regulation or some regulatory push for companies to come and borrow from the market vis-a-vis other channels?

K. Ravichandran: No, see, already you have provisions from SEBI and RBI for highly-rated companies, especially AA and above to borrow a certain portion from the bond market. In case there was any slippage on that front, penalty was to be paid by the respective companies.

At the same time, those companies were also representing to regulator. Sometimes it's possible that they would get a good rate from the bankers, compared to capital market. And because of that, they end up borrowing through suboptimal borrowing. So in response to that, SEBI has refined these guidelines. But having said that, their agenda is to guide the highly rated companies to borrow from the capital markets. So that is continuing, those regulatory support is continuing.

It was just refined in the recent past. That's the only big change which has happened in recent times.

Advait Lath: Right, sir. Thank you. And just another question, which is to do with employee costs. Do you see because of competitive intensity, employee costs rising? Or is there some color you can provide there?

Ramnath Krishnan: See, you must understand that, ours is a fairly people-intensive business and significant proportion of our cost is actually employee cost. Yes, will there be some increase that we are likely to see? Certainly, yes. But generally speaking, it will be sort of peg to inflation.

Advait Lath: Right. So there's no structural shift we are seeing in employee cost base?

Ramnath Krishnan: We dealt with that almost about 2 or 3 years ago.

Advait Lath: Right. So no further in our view, right?

Ramnath Krishnan: No, no.

Moderator: Advait, does that answer your question?

Advait Lath: Yes. Thank you.

Moderator: Thank you. We will take our next question from the line of Rajas Joshi from ChrysCapital. Please go ahead.

Rajas Joshi: Yes, thank you for the opportunity. There has been a noticeable jump in margins, especially for the Rating business in Q4. Q4, I think margins have been close to 45-odd %. So what has been driving this margin expansion? And is this sustainable going forward? So, that would be my question.

Venkatesh Viswanathan: Yes. I think whenever we talk about margins, we look at the full year. So we will not specifically ask you to look at Q4 as a particular quarter, and make a judgment on the margins. Yes, the margins, as Ram had mentioned earlier, we have seen a consistent growth in margin, and that's largely because of the revenue growth that we have seen over the last 2 to 3 years. And plus the operating leverage that has kicked in because of the technology investment. But it's largely a revenue-driven business. If we are able to continue to deliver that revenue growth, I am sure margins can expand.

Rajas Joshi: All right. Thank you, sir.

Moderator: We will take a follow-up question from the line of Vishruti from ThinQwise Wealth Managers, LLP. Please go ahead.

- Vishruti:** Yes. Even though the bond market didn't grow so well, the margins from ICRA were pretty good. So what justifies the differentiation or the improvement in margins and the contribution of revenue from this segment?
- Management:** Sorry, I didn't understand the question. Can you repeat the question?
- Vishruti:** Yes.
- Moderator:** Vishruti, can you use your handset, please?
- Vishruti:** So my question is even though the bond market didn't do so well, the margins that came in from recent results by your company sounded pretty good. So what was the differentiator that led to better margins.
- Ramnath Krishnan:** As I said earlier, we have been looking at actually operating efficiencies quite closely over the last few years, and partly through tech intervention, and partly through process improvements. That on the one side, fairly disciplined cost management, and of course, improved pricing framework, which gives us transactions, which essentially are quite high yielding and remunerative.
- So it's a mix of both, actually, both the levers on the revenue side and on the cost side. I think both are working well together, and that is what is actually contributing to improvement in margins, and that's been fairly consistent over the last 2 or 3 years.
- Vishruti:** So there's been an increase in prices.
- Ramnath Krishnan:** Sorry, increase in what?
- Vishruti:** Increase in prices.
- Ramnath Krishnan:** We keep revisiting our pricing framework. As I said, there are certain segments we deliberately choose to stay away from. There are certain segments which receive a lot of attention. And naturally, pricing framework is something that's actually revisited periodically by us, which is very similar to what every other business does any way. So ours is not an exception.
- Vishruti:** Okay. Thank you.
- Moderator:** Thank you. As there are no further questions, this brings to an end of the call. Ladies and gentlemen, on behalf of ICRA Management, that concludes this conference call. I thank all the participants for joining us. Thank you once again.