



ICRA

A MOODY'S INVESTORS
SERVICE COMPANY

Investor Presentation, Q3 FY20

February 6, 2020

ICRA Group Structure





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Performance Review: ICRA Limited

- Bank credit grew by 7.0% y-o-y during Q3FY20. Non-Banking Financial Company (NBFC) and retail segments continue to remain key drivers of credit growth. Credit to Industry continued to remain subdued.
- Bond issuances de-grew by 21.2% y-o-y during Q3FY20. Sharp decline in issuance from NBFCs as well as banks and financial institutions led to de-growth, while corporate sector issuances are driven by public sector undertaking (PSU).
- Commercial paper outstanding de-grew by ~9.7% (q-o-q) in Q3FY20. The recent changes in mutual fund regulations, restricting investment in unlisted commercial papers, impacted volumes.

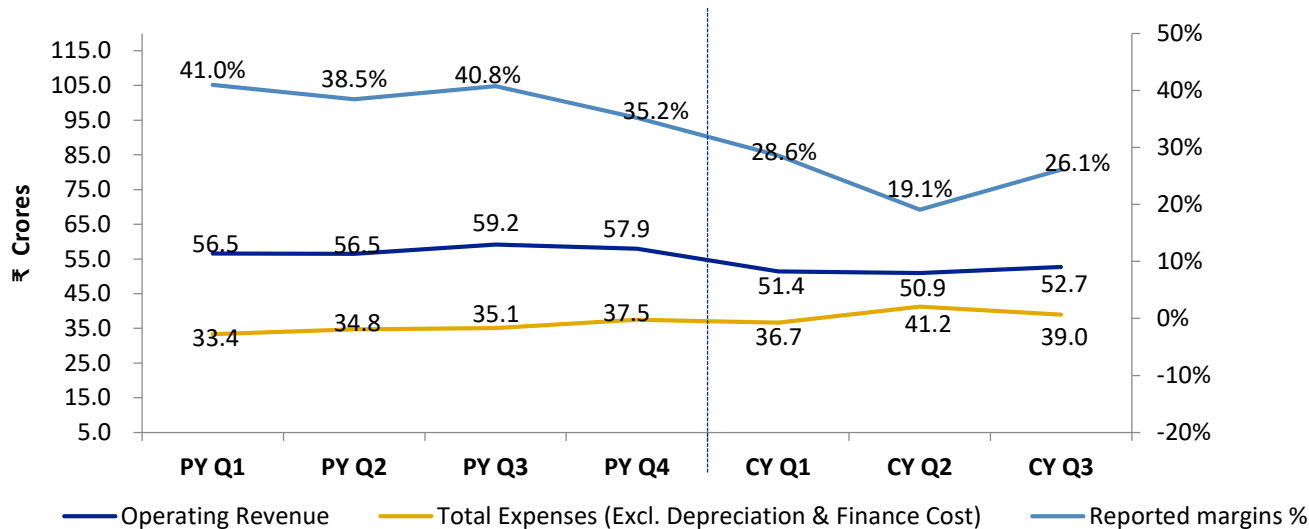
ICRA Standalone: Financial Highlights

- For the quarter ended December 31, 2019 the Company's operating revenue was ₹52.7 crore, as against ₹59.2 crore in the corresponding quarter of the previous financial year. The de-growth in operating revenue was due to lower fresh business in the debt market.
- The other income in the quarter was marginally lower on y-o-y basis.
- PBT for the quarter was lower by 34.9% at ₹ 21.8 crore, as against ₹ 33.6 crore in the corresponding quarter of the previous financial year. PBT declined due to higher legal & professional charges and provisions for doubtful & bad debts.
- PAT for the quarter was lower by 35.2% at ₹ 15.9 crore, as against ₹24.6 crore in the corresponding quarter of the previous financial year.

ICRA Standalone: Financials

Particulars (Rs. Crore)	Standalone					
	FY 19 Q3	FY 20 Q3	Variance %	FY 19 9M	FY 20 9M	Variance %
Income						
Revenue from operations	59.2	52.7	-11.0%	172.2	155.0	-10.0%
Other income	10.0	9.9	-1.1%	34.4	30.6	-11.2%
Total income	69.3	62.6	-9.5%	206.7	185.6	-10.2%
Expenses						
Employee benefits expenses	26.8	28.9	7.9%	81.7	85.6	4.8%
Finance costs	0.0	0.5		0.0	1.2	
Depreciation and amortisation expenses	0.6	1.4	118.7%	1.7	4.0	137.3%
Other expenses	8.2	10.0	21.7%	21.5	31.3	45.7%
Total expenses	35.7	40.8	14.3%	104.9	122.1	16.4%
Profit before tax	33.6	21.8	-34.9%	101.8	63.5	-37.6%
Tax expense	9.0	5.9	-34.0%	26.1	19.6	-25.0%
Profit after tax	24.6	15.9	-35.2%	75.7	43.9	-42.0%
Other comprehensive income, net of income tax	(0.3)	(0.2)		(0.3)	(0.4)	
Total comprehensive income	24.3	15.7	-35.2%	75.4	43.5	-42.3%
Operating margins	40.8%	26.1%		40.1%	24.6%	

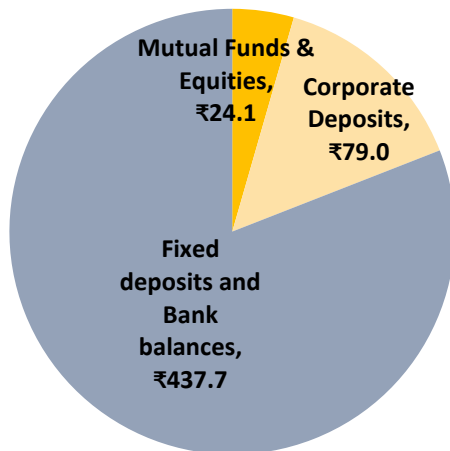
ICRA Standalone: Profit & Loss (Quarterly Performance)



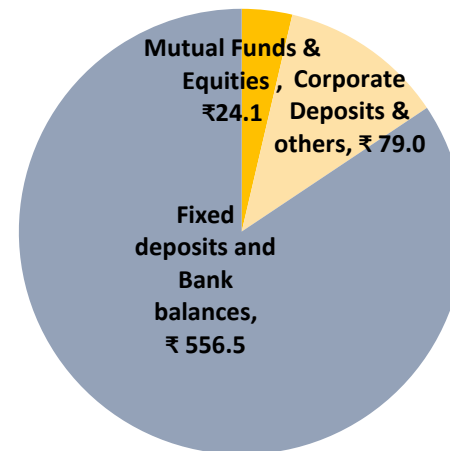
ICRA Ratings (₹ Crores)	PY Q1	PY Q2	PY Q3	PY Q4	CY Q1	CY Q2	CY Q3
Operating Revenue	56.5	56.5	59.2	57.9	51.4	50.9	52.7
Total Expenses (Excl. Depreciation & Finance Cost)	33.4	34.8	35.1	37.5	36.7	41.2	39.0
Reported margins %	41.0%	38.5%	40.8%	35.2%	28.6%	19.1%	26.1%

ICRA: Investments as on December 31, 2019

ICRA Investments Standalone (₹ 540.8 Cr)



ICRA Investments Group (₹ 659.6 Cr)



- YTD Yield: 7.18% (CAGR) on MF, 7.00 % on Bank deposits, 7.90% on Corporate Deposits

ICRA: Challenges and Risk Factors

- Despite several policy measures, investment activity yet to show a meaningful revival
- Adverse yield movement
- Ease of access and relative cost economics of overseas funding alternatives
- Adverse changes in regulations
- Reputation related risks
- Competitive pressures from other Rating Agencies
- Ability to retain/attract quality manpower; rising compensation and related costs
- Pricing and cost pressures



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Performance Review: ICRA Group

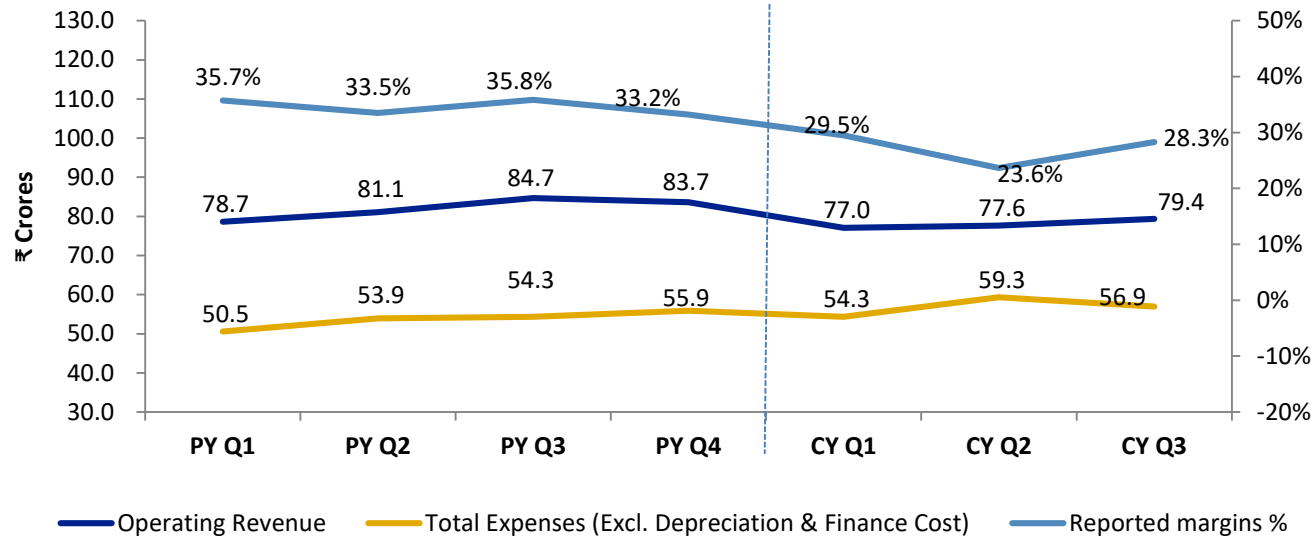
ICRA Group: Financial Highlights

- For the quarter ended December 31, 2019, revenue from operations was ₹ 79.4 crore, as against ₹ 84.7 crore in the corresponding quarter of the previous financial year, reflecting a de-growth of 6.3%, primarily due to lower revenue from rating services, offset by growth in outsourcing and information services business.
- PBT for the quarter was lower by 22.6% at ₹ 30.9 crore, as against ₹ 39.9 crore in the corresponding quarter of the previous financial.
- PAT for the quarter was lower by 15.7% at ₹ 22.5 crore, as against ₹ 26.7 crore in the corresponding quarter of the previous financial year.

ICRA Group: Consolidated Financials

Particulars (Rs. crores)	ICRA Consolidated					
	FY 19 Q3	FY 20 Q3	Variance %	FY 19 9M	FY 20 9M	Variance %
Income						
Revenue from operations	84.7	79.4	-6.3%	244.4	234.0	-4.2%
Other income	11.0	11.7	6.3%	33.2	35.5	7.0%
Total income	95.7	91.0	-4.8%	277.6	269.5	-2.9%
Expenses						
Employee benefits expenses	39.7	43.2	8.8%	121.0	127.8	5.7%
Finance costs	0.0	0.6		0.0	1.5	
Depreciation and amortisation expenses	1.4	2.6	89.2%	4.0	7.6	90.9%
Other expenses	14.6	13.7	-6.3%	37.9	43.0	13.4%
Total expenses	55.7	60.1	7.8%	162.8	179.9	10.5%
Profit before tax	39.9	30.9	-22.5%	114.7	89.6	-21.9%
Total tax expenses	13.2	8.4	-36.5%	35.2	27.2	-22.7%
Profit after tax	26.7	22.5	-15.7%	79.5	62.4	-21.6%
Other comprehensive income, net of income tax	(0.6)	(0.1)		(0.5)	(0.4)	
Total comprehensive income	26.1	22.4	-14.2%	79.0	62.0	-21.5%
Total comprehensive income attributable to:						
Owners of the company	26.0	22.1		78.7	61.2	
Non-controlling interest	0.1	0.3		0.3	0.8	
Operating margins	35.8%	28.3%		35.0%	27.0%	

ICRA Group: Profit & Loss (Quarterly Performance)



ICRA Group (₹ Crores)	PY Q1	PY Q2	PY Q3	PY Q4	CY Q1	CY Q2	CY Q3
Operating Revenue	78.7	81.1	84.7	83.7	77.0	77.6	79.4
Total Expenses (Excl. Depreciation & Finance Cost)	50.5	53.9	54.3	55.9	54.3	59.3	56.9
Reported margins %	35.7%	33.5%	35.8%	33.2%	29.5%	23.6%	28.3%

ICRA Group: Segment-wise Composition

Revenue Composition	Q3 FY 19 Rs. Cr	FY 19 %	Q3 FY 20 Rs. Cr	FY 20 %
Ratings	60.2	70.6%	54.4	68.0%
Consultancy	5.3	6.2%	4.2	5.2%
Outsourced and Information Services	19.8	23.2%	21.4	26.7%
Total Operating Income*	85.3	100.0%	80.0	100.0%

Operating Profit	Q3 FY 19 Rs. Cr	FY 19 %	Q3 FY 20 Rs. Cr	FY 20 %
Ratings	24.4	81.8%	12.9	65.0%
Consultancy	(1.6)	-5.3%	(1.1)	-5.5%
Outsourced and Information Services	7.0	23.6%	8.0	40.4%
Total Segmental Profits (OPBDIT)	29.8	100.0%	19.9	100%

*Without adjustment of Inter company revenue

Outsourcing and Information Services

- Operating revenue recorded a growth of 8.1% y-o-y (excluding export incentive) in Q3FY20, driven by growth in volumes of domestic and global businesses.

Consulting Services

- Operating revenue of consulting business de-grew by 20.4% y-o-y in Q3FY20.

Merger of two wholly-owned subsidiaries

The Board had approved the merger of two of its wholly-owned subsidiaries - ICRA Management Consulting Services Limited (“Transferor Company”), involved in consulting services, with ICRA Online Limited (“Transferee Company”), involved in outsourcing and information services, subject to requisite approvals. The National Company Law Tribunal (“NCLT”), New Delhi and Kolkata have sanctioned the scheme of amalgamation filed by the Transferor Company and Transferee Company, respectively.

The NCLT, Kolkata order was filed with the Registrar of Companies (“RoC”) on 15th November 2019 and merger become effective from the said date. However, the Company had given the accounting effect of the Scheme in September 2019 quarterly financial results, as it was reasonably certain that merger will become effective upon filing of the NCLT, Kolkata order with RoC.

This Investor Presentation contains certain forward-looking statements (including expectations and plans) that may be identified by words, phrases, or expressions such as “expected”, “likely”, “will”, “would”, “continue”, “intend to”, “in future”, “opportunities” or their variations. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those reflected in the forward-looking statements. Factors that might cause such differences include, but are not limited to, those discussed under the sections titled “Business Outlook” and/or “Challenges/Risk Factors”, which are a part of this review presentation. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management’s analysis only as of the date hereof. The Company assumes no obligation to publicly update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition.

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