



Analyst Presentation, Q1 FY18

3rd August, 2017



Table of Contents

- 1. Business Profile**
- 2. Performance Review: ICRA Limited**
- 3. Performance Review: ICRA Group**

Business Profile

ICRA Group Structure



*Working license surrendered

ICRA Mission

ICRA GROUP

OUR MISSION

To be at the forefront of enhancing market efficiency as the most respected rating and analytical services firm by:



The ICRA Factor

Our services are designed to ...

- ☐ Provide information and guidance to institutional and individual investors/creditors
- ☐ Enhance the ability of borrowers/issuers to access the money market and the capital market for tapping a larger volume of resources from a wider range of the investing public
- ☐ Assist the regulators in promoting transparency in the financial markets
- ☐ Provide intermediaries with a tool to improve efficiency in the funds-raising process

Performance Review: ICRA Limited

ICRA Standalone: Financial Highlights

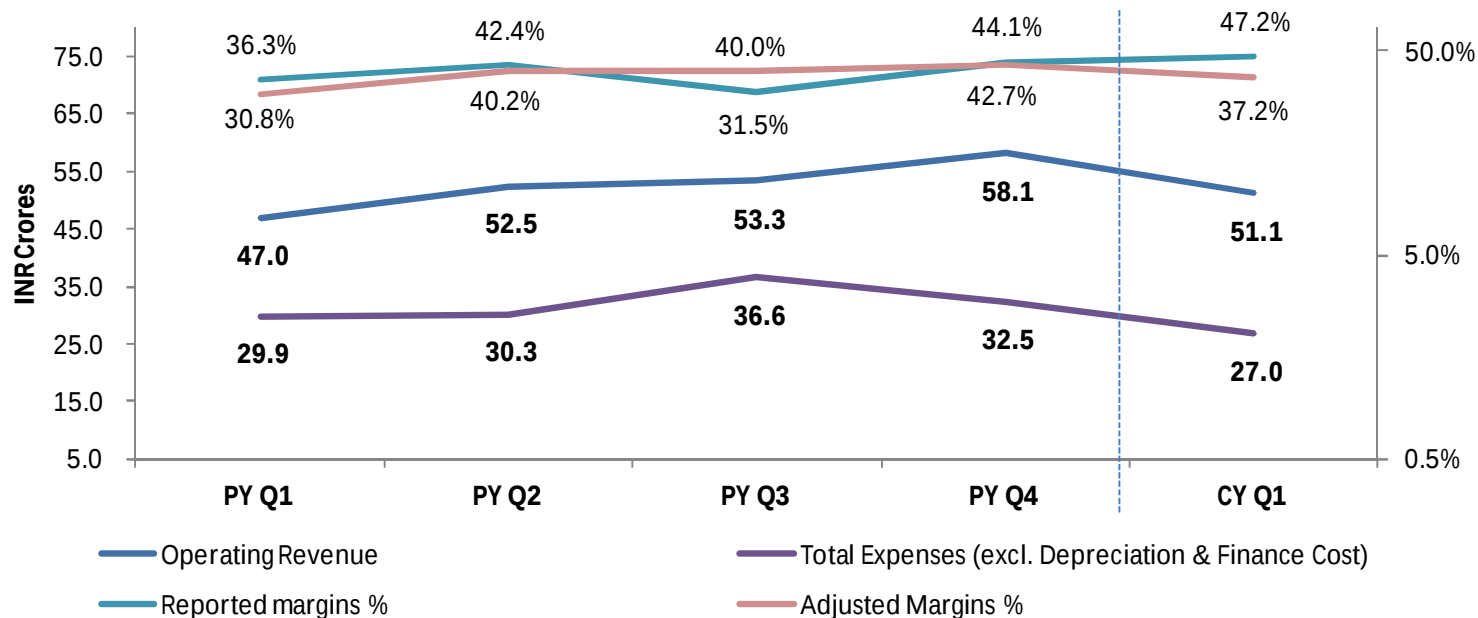
- ❑ The Indian Accounting Standard (Ind-AS) is applicable to the Company from April 1, 2017, hence, the current quarter results have been prepared in accordance with Ind-AS and the previous quarter/year results have also been adjusted as per Ind-AS
- ❑ For the quarter ended June 30, 2017, the Company's operating income was Rs 51.13 crore, as against Rs 46.98 crore in the corresponding quarter of the previous financial year, reflecting a growth of around 9%, due to growth in debt market-related ratings
- ❑ The other income in the quarter is lower by 38%, as compared to the corresponding quarter of the previous financial year, mainly due to nil dividend income from the subsidiary company in the current quarter
- ❑ PBT for the quarter is at Rs 34.78 crore, reflecting a growth of almost 1%, against the corresponding quarter of the previous financial year
- ❑ PAT for the quarter was at Rs 23.79 crore, lower by 14% against the corresponding quarter. The decline in PAT has been mainly due to lower other income and higher tax expenses

ICRA: Standalone Financials

Particulars (Rs Cr)	Standalone			
	Corresponding Quarter June'16	Current Quarter June'17	Variance	%
Income from operations				
Revenue from operations	46.98	51.13	4.15	8.8%
Other income	18.27	11.27	(7.00)	-38.3%
Total income from operations	65.25	62.40	(2.85)	-4.4%
Expenses				
Employee benefits expenses	21.22	20.86	(0.36)	-1.7%
Finance costs	0.01	0.01	-	0.0%
Depreciation and amortisation expenses	0.73	0.64	(0.09)	-12.3%
Other expenses	8.71	6.11	(2.60)	-29.9%
Total expenses	30.67	27.62	(3.05)	-9.9%
Profit before tax	34.58	34.78	0.20	0.6%
Total tax expense	7.07	10.99	3.92	55.4%
Profit after tax	27.51	23.79	(3.72)	-13.5%
Other comprehensive income, net of income tax	(0.12)	0.03	0.15	-125%
Total comprehensive income, net of income tax	27.39	23.82	(3.57)	-13.0%
Operating margins%	36.3%	47.3%		
Adjusted margins%*	30.8%	37.2%		

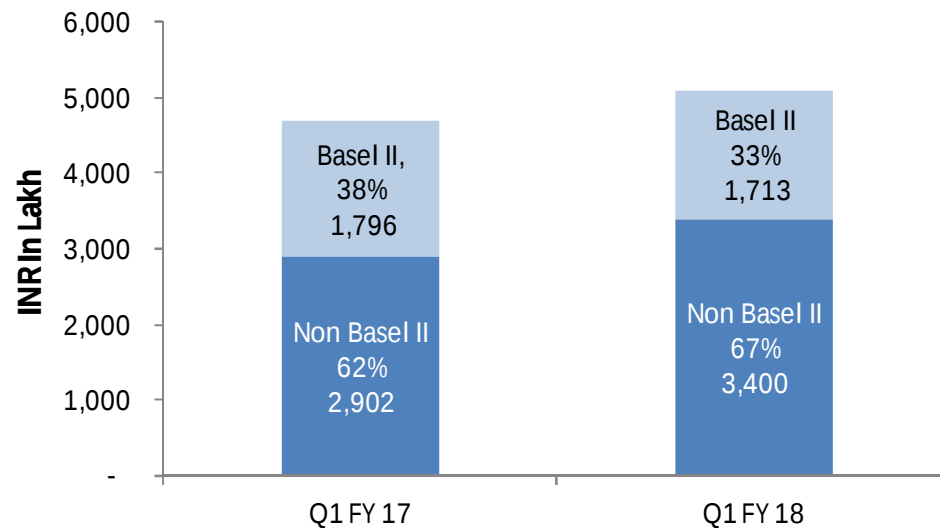
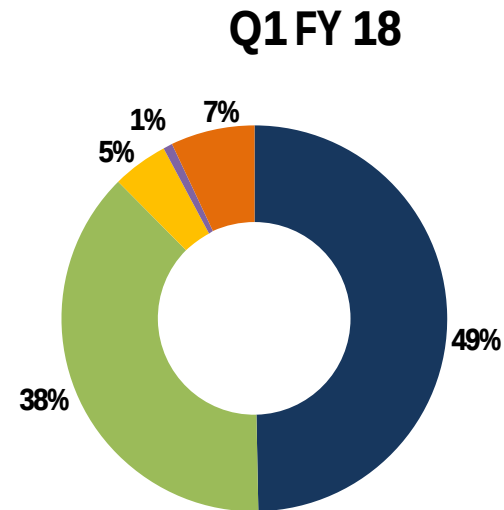
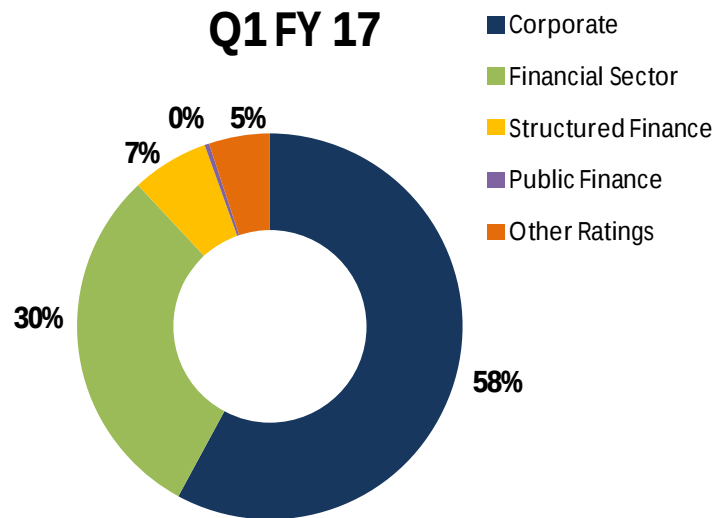
*Adjusted for actualisation (reversal) of provision made in PY on account of variable compensation Rs 4.10 Cr (3.32 cr in PY), Divestment expenses for sale of IT business in PY Rs 0.76 Cr and change in accounting practice for provision for doubtful debts (lower revenue by Rs. 0.81 cr. and lower expenses by Rs. 1.53 cr.)

ICRA Standalone Profit & Loss (Quarterly Performance)



ICRA Limited (INR Crores)	PY Q1	PY Q2	PY Q3	PY Q4	CY Q1
Operating Revenue	47.0	52.5	53.3	58.1	51.1
Total Expenses (excl. Depreciation & Finance Cost)	29.9	30.3	36.6	32.5	27.0
Reported margins %	36.3%	42.4%	31.5%	44.1%	47.2%
Adjusted Margins %	30.8%	40.2%	40.0%	42.7%	37.2%

ICRA: Segment-wise Revenues



Subdued bank credit growth and decline in bond issuances impacted corporate sector revenue growth

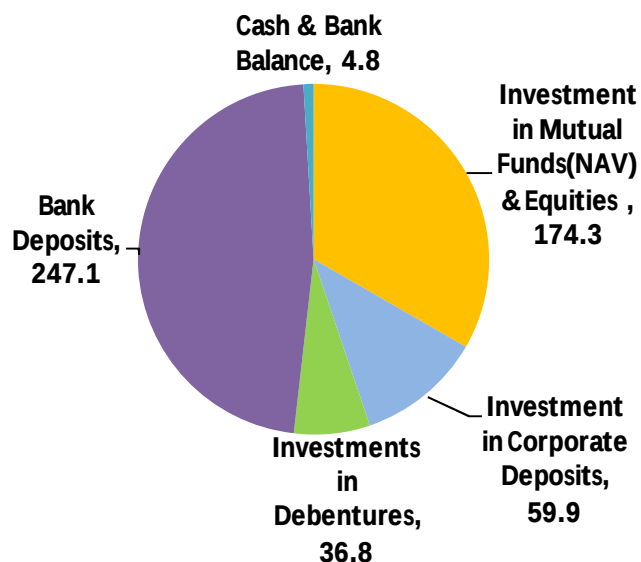
Financial sector business was supported by growth in debt issuances from NBFC/HFC sectors

Structured finance got impacted due to slow down in securitisation issuances

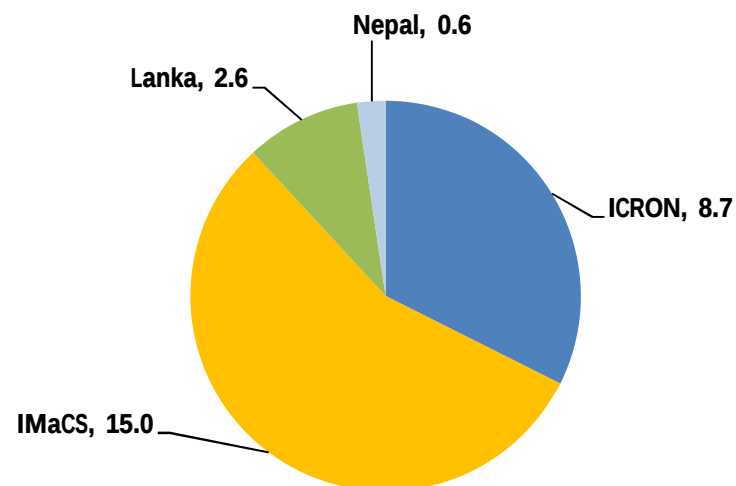
Other segments growth driven by research and grading

ICRA: Investments as on June 30, 2017

ICRA Investments Standalone (522.8Cr)



Investments in Subsidiary (26.9 Cr)*

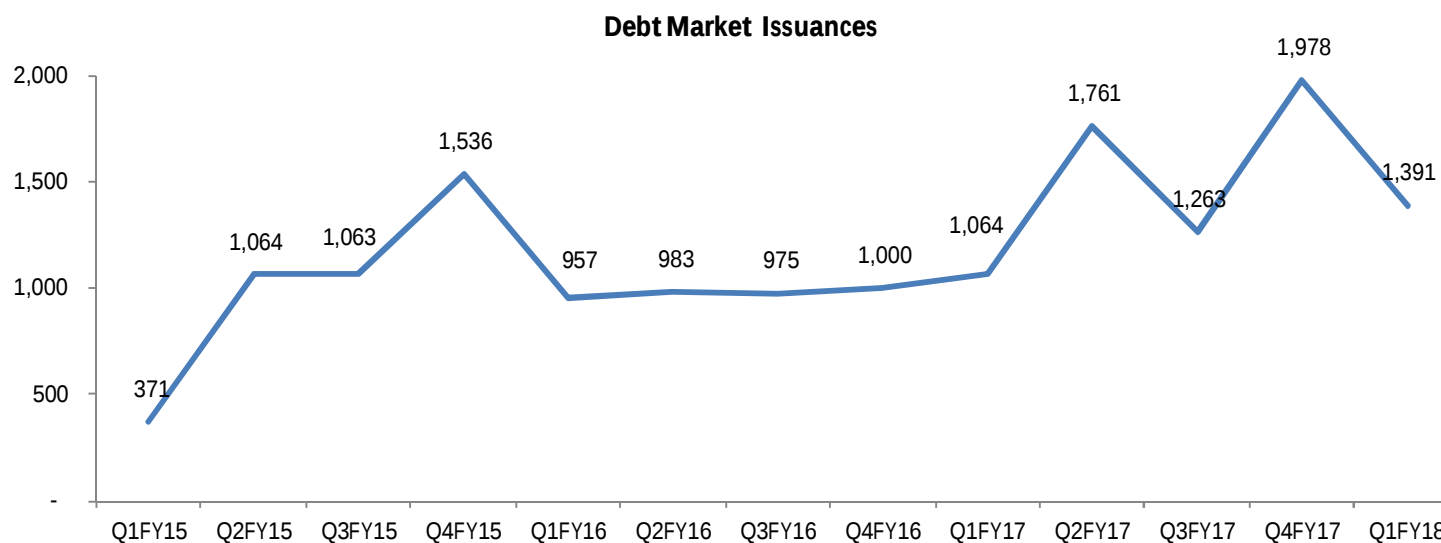


- ☐ Yield of 9.5 % on MF, 6.7 % on Bank deposits & 10% on Debentures
- ☐ Accrued interest on bank FDs and debentures Rs 10.6 Cr

* Post ICTEAS sale as on October 7, 2016 and impairment recognition in PT ICRA Indonesia in previous years

Operating Environment

- Overall credit growth around 9% in Q1 FY18 (11% in Q1 FY17)
- Bank credit growth at ~ 6.3% continues to be subdued
 - Continuing slow down in investment cycle
 - Impact of demonetization in some sectors
 - Refinancing through debt market by better rated corporates
 - Key growth driver was retail, specifically, housing finance
- Bond issuances growth was strong ~ 30% driven by NBFCs though corporate bond issuances saw a decline
- CP outstanding had a de-growth of 2.4% possibly due to lower working capital requirements in the run up to GST



ICRA: Challenges & Risk Factors

- ☐ Despite several policy measures, investment activity yet to show a meaningful revival
- ☐ 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

Performance Review: ICRA Group

ICRA Group: Financial Highlights Q1 FY18 Vs Q1 FY17

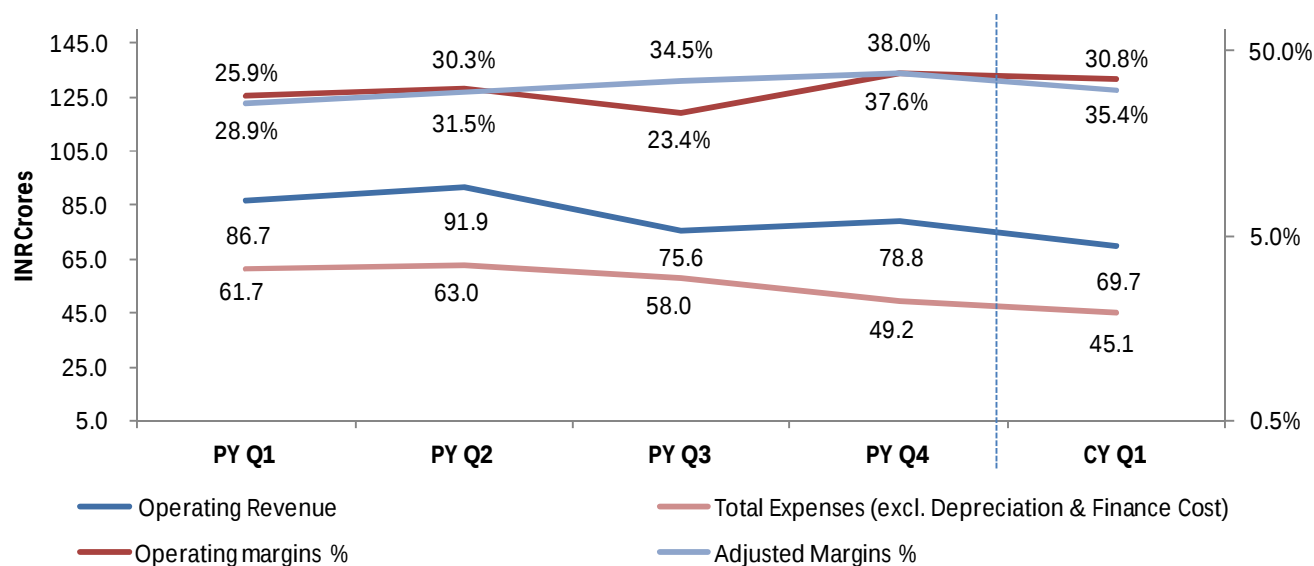
- ❑ For the quarter ended June 30, 2017, the consolidated operating income stood at Rs 69.75 crore, against Rs 86.71 crore in the corresponding quarter of the previous financial year, reflecting a decline of 20%
- ❑ Consolidated total income fall by 16% to Rs 81.49 crore, compared to Rs 96.68 crore in corresponding qaurter.
- ❑ Decline in operating income and total income is primarily due to sale of IT business in October 2016
- ❑ The PBT for the quarter was higher by 6% at Rs 34.66 crore, against Rs 32.77 crore in the corresponding quarter in previous fiscal
- ❑ The PAT from continuing operations in the current quarter stood at Rs 22.60 crores, against Rs 20.92 crores, reflecting growth of 8%

ICRA Group: Consolidated Financials

Particulars (Rs Cr)	Consolidated			
	Quarter ended 30/06/2016	Quarter ended 30/06/2017	Variance	%
Income from operations				
Revenue from operations	86.71	69.75	(16.96)	-19.6%
Other income	9.97	11.74	1.77	17.8%
Total income from operations	96.68	81.49	(15.19)	-15.7%
Expenses				
Employee benefits expenses	41.63	32.20	(9.43)	-22.7%
Finance costs	0.03	0.01	-	0.0%
Depreciation and amortisation expenses	2.20	1.73	(0.47)	-21.4%
Other expenses	20.05	12.89	(7.16)	-35.7%
Total expenses	63.91	46.83	(17.06)	-26.7%
Profit before tax	32.77	34.66	1.87	5.7%
Taxes	9.87	12.06	2.19	22.2%
Profit after tax	22.90	22.60	(0.32)	-1.4%
Other comprehensive income, net of income tax	0.83	(0.09)	(0.92)	-111%
Total comprehensive income, net of income tax	23.73	22.51	(1.24)	-5.2%
Operating PBDIT/Operating Income	28.9%	35.4%		
Adjusted Operating PBDIT/Operating Income*	25.9%	30.8%		

*Adjusted for actualisation (reversal) of provision made in PY on account of variable compensation Rs 4.10 Cr (3.32 cr in PY), Divestment expenses for sale of IT business in PY Rs 0.76 Cr and change in accounting practice for provision for doubtful debts (lower revenue by Rs. 0.81 cr. and higher expenses by Rs. 0.39 cr.)

ICRA GROUP Profit & Loss (Quarterly Performance)



ICRA Group (INR Crores)	PY Q1	PY Q2	PY Q3	PY Q4	CY Q1
Operating Revenue	86.7	91.9	75.6	78.8	69.7
Total Expenses (excl. Depreciation & Finance Cost)	61.7	63.0	58.0	49.2	45.1
Operating margins %	28.9%	31.5%	23.4%	37.6%	35.4%
Adjusted Margins %	25.9%	30.3%	34.5%	38.0%	30.8%

ICRA Group: Segment wise Composition

Revenue Composition	FY17 Q1	FY18 Q1
Ratings	55.0%	74.6%
Consultancy	8.1%	7.9%
Outsourced and Information Services	13.6%	17.4%
IT related (Sales & Professional)	23.3%	0.2%
Total Operating Income	100%	100%
Operating Margins Composition	FY17 Q1	FY18 Q1
Ratings	70.2%	101.0%
Consultancy	1.2%	-14.4%
Outsourced and Information Services	16.7%	12.9%
IT related (Sales & Professional)	11.9%	0.5%
Total OPBIT	100%	100%
Operating Margins %	FY17 Q1	FY18 Q1
Ratings	36.8%	47.9%
Consultancy	4.1%	-64.6%
Outsourcing and Information	35.4%	26.1%
IT related (Sales & Professional)	14.7%	100.0%
Consolidated Operating Margin	28.9%	35.4%
Adjusted Operating Margins %*	FY17 Q1	FY18 Q1
Ratings	31.5%	38.0%
Consultancy	4.1%	-29.6%
Outsourcing and Information	35.4%	26.1%
IT related (Sales & Professional)	14.7%	100.0%
Consolidated Operating Margin	25.9%	30.8%

*Adjusted for actualisation (reversal) of provision made in PY on account of variable compensation , Divestment expenses for sale of IT business in PY and change in accounting practice for provision for doubtful debts

ICRA Group: Update on Consultancy Services

❑ Operating Revenue 22% lower in Q1 FY18 (YoY)

- High attrition leading to delay in project execution
- Lower wins in Q4 resulting in a lower order book
- De-emphasis on certain non profitable segments due to strategic shift

❑ Negative operating margins in Q1 FY18, compared to 5% in Q1 FY17

- Higher provisioning as per the revised provisioning policy of the Company, which is based on aging and risk assessment of receivables
- Increased personnel cost due to special deferred incentive scheme, introduced in Q4 FY 17

❑ Challenges

- Market for consultancy services continues to be sluggish with no significant upturn in the investment cycle
- Pricing pressures on account of overcapacity in the industry continue to impact margins
- Retaining good talent

ICRA Group: Update on Outsourcing & Information Services

❑ **Operating Revenue growth of 3% in Q1 FY18 (YoY)**

- Revenue from outsourcing services grew primarily on account of new projects from both domestic and global market.
- Revenue growth is impacted due to Rupee appreciation

❑ **Operating Margin at 26.1% in Q1 FY18, compared to 35.4% in Q1 FY17**

- Marginal growth in revenue and comparatively higher growth in expenses
- Adverse impact of Rupee appreciation

❑ **Challenges**

- To expand client-base and offerings

Disclaimer

This Analyst 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.

The Company or any of its Subsidiaries shall have no liability whatsoever for any loss howsoever arising from any use of this Analyst Presentation or its contents or otherwise arising in connection with this Analyst Presentation.