



ICRA

A MOODY'S INVESTORS
SERVICE COMPANY

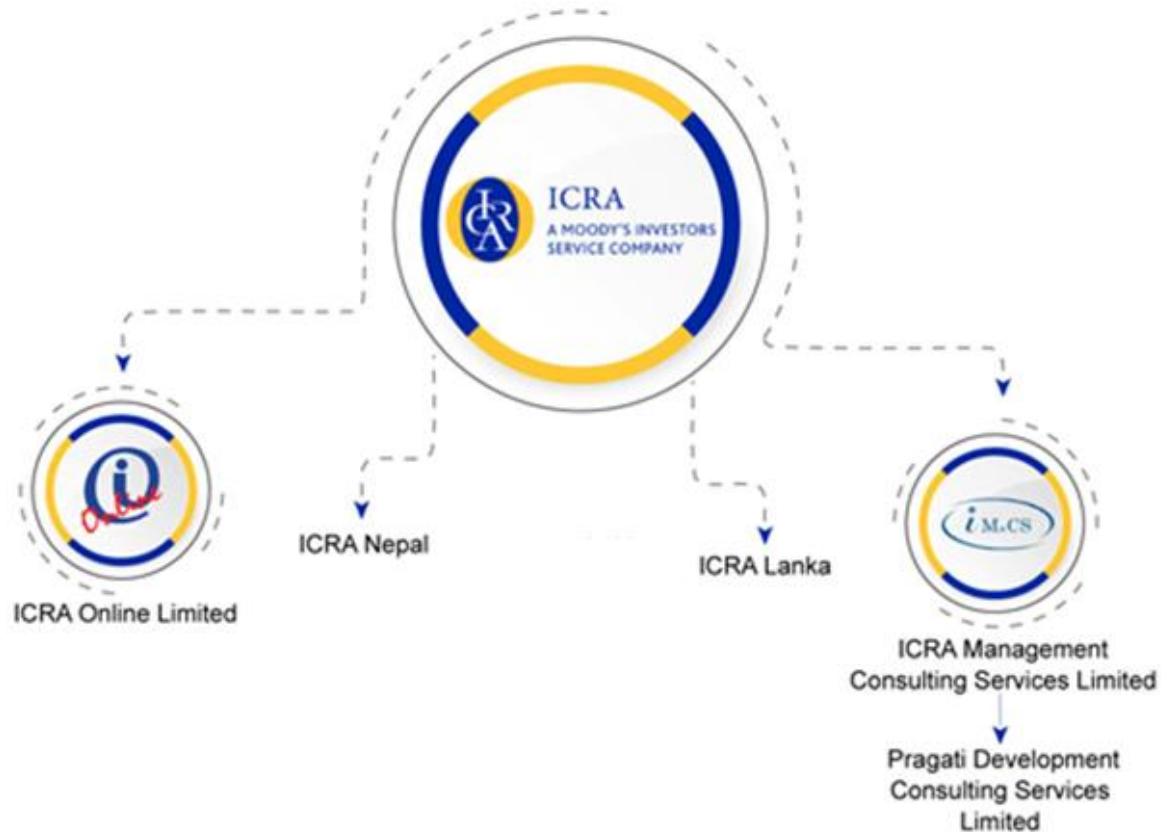
Analyst Presentation, Q1 FY19

Aug 9, 2018



Business Profile

ICRA Group Structure



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

- Serving our customers with the high value of integrity, intellectual rigour and independence
- Maintain high ethical standards, with sound governance practices and being socially responsible.
- Creating a stimulating, inclusive and transparent environment for our employees

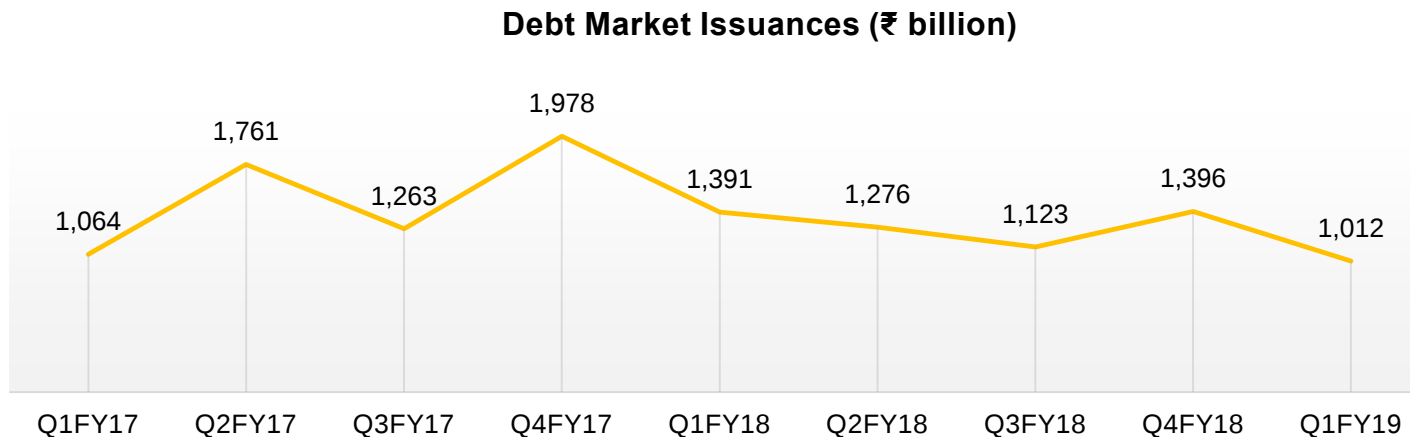


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Performance Review: ICRA Limited

- Bank credit outstanding witnessed a 11% y-o-y growth
- Bond issuances de-grew 27% on account of hardening of yields and significant FII outflows
- Shorter term instruments, such as the outstanding volumes on commercial papers witnessed a 49% growth from a year ago.



ICRA Standalone: Financial Highlights

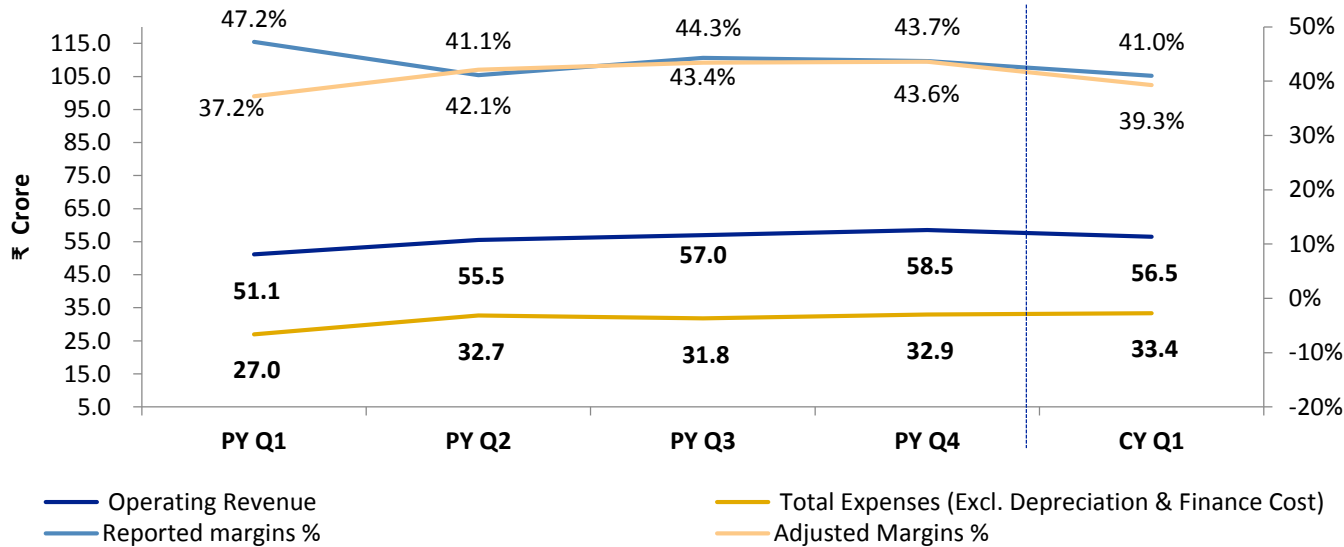
- For the quarter ended June 30, 2018 the Company's operating income was ₹56.5 crore, as against ₹51.1 Crore in the corresponding quarter of the previous financial year, reflecting a growth of 11%.
- The other income in the quarter had declined by 22% as compared to corresponding quarter of the previous financial year, mainly due to higher profit on sale of certain real estate assets in the previous year and lower mark to market gains on mutual fund investments during the current quarter.
- PBT for the quarter was at ₹31.5 crore, reflecting a de-growth of 9%, against the corresponding quarter of the previous financial year.
- PAT for the quarter was at ₹22.8 crore, lower by 4% against the corresponding quarter.
- The applicable base tax rate effective from FY 2018-19 is 25%, compared to 30% till March 18.
- The Board of Directors approved the buyback of the Company's fully paid-up equity shares, from the open market through stock exchange mechanism, for a total amount not exceeding ₹85.4 crore, excluding brokerage, costs, fees, taxes and other transaction charges and at a price not exceeding ₹3800 per equity share

ICRA Standalone: Financials

Particulars (₹ crore)	Standalone			
	FY 18 Q1	FY 19 Q1	Variance	Variance %
Income				
Revenue from operations	51.1	56.5	5.4	10.6%
Other income	11.3	8.8	(2.4)	-21.7%
Total income	62.4	65.4	3.0	4.7%
Expenses				
Employee benefits expenses	20.9	27.7	6.8	32.7%
Depreciation and amortisation expenses	0.6	0.5	(0.2)	-24.2%
Other expenses	6.1	5.7	(0.4)	-7.3%
Total expenses	27.6	33.8	6.2	22.5%
Profit before tax	34.8	31.5	(3.3)	-9.4%
Total tax expense	11.0	8.7	(2.2)	-20.4%
Profit after tax	23.8	22.8	(1.0)	-4.3%
Other comprehensive income, net of tax	0.0	(0.0)	(0.1)	
Profit after other comprehensive income and taxes	23.8	22.7	(1.1)	-4.6%
Operating margins%	47.2%	41.0%		
Adjusted margins%*	37.2%	39.3%		

* Adjustments were higher in the previous year on account of change in accounting practice for provision for doubtful debts and for reversal of provisions on account of variable compensation. Due to the adoption of Ind AS 115, the revenue from operations is higher by Rs 62.26 lakh, income tax expenses by Rs 18.13 lakh and PAT by Rs 44.13 lakh during Q1FY19

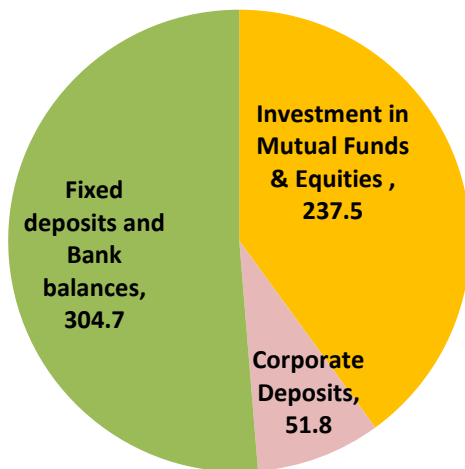
ICRA Standalone: Profit & Loss (Quarterly Performance)



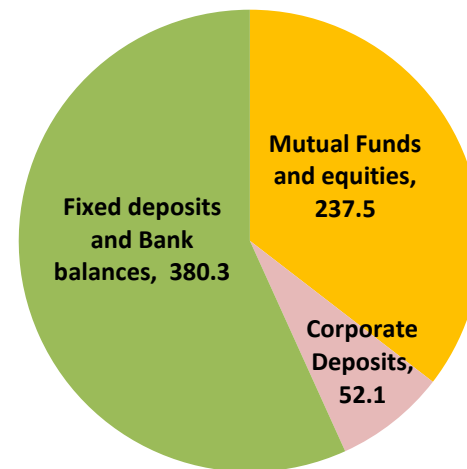
ICRA Ratings (₹ crore)	PY Q1	PY Q2	PY Q3	PY Q4	CY Q1
Operating Revenue	51.1	55.5	57.0	58.5	56.5
Total Expenses (Excl. Depreciation & Finance Cost)	27.0	32.7	31.8	32.9	33.4
Reported margins %	47.2%	41.1%	44.3%	43.7%	41.0%
Adjusted Margins %	37.2%	42.1%	43.4%	43.6%	39.3%

ICRA: Investments as on June 30, 2018

ICRA Investments Standalone (₹ 594 Cr)



ICRA Investments Group (₹ 670 Cr)



- Yield of 6.7% (CAGR) on MF, 7.1 % on Bank deposits, 6.9% 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

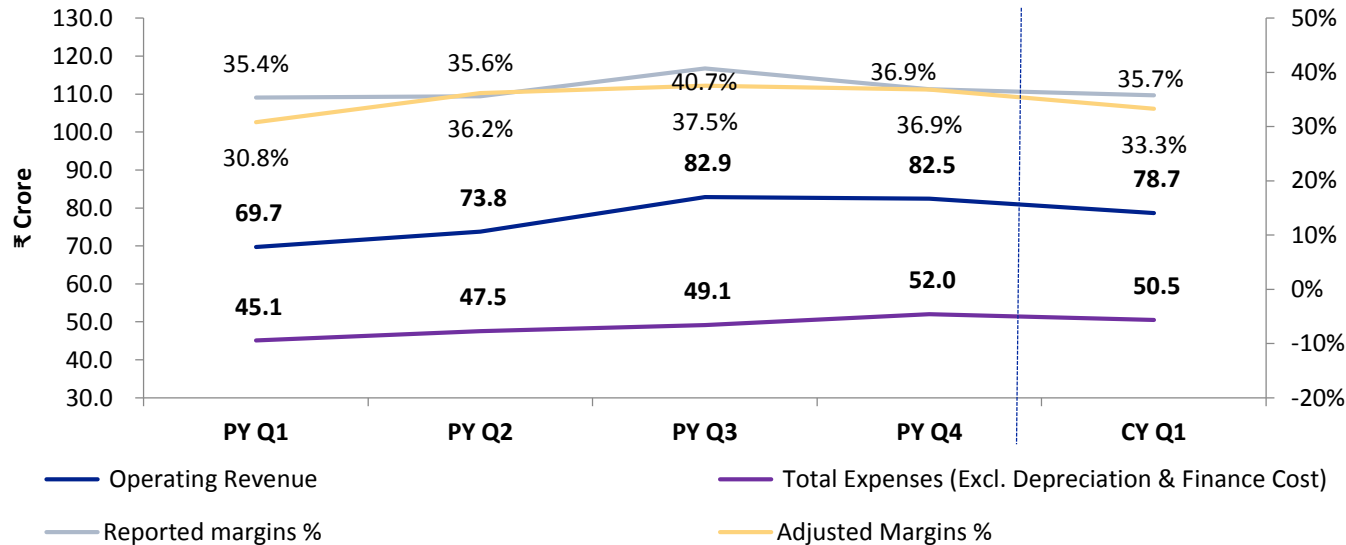
- For the quarter ended June 30, 2018, consolidated operating income was ₹ 78.7 crore, as against ₹ 69.7 crore in the corresponding quarter of the previous financial year, reflecting a growth of 13%.
- The other income in the quarter had declined by 13% as compared to corresponding quarter of the previous financial year.
- PBT for the quarter was higher by 7% at ₹ 37.1 crore, as against ₹ 34.7 crore in the corresponding quarter.
- PAT for the quarter was ₹ 25.4 crore, as against ₹ 22.6 crore in the corresponding quarter of the previous financial year, reflecting a growth of 12%.

ICRA Group: Consolidated Financials

Particulars (₹ crore)	ICRA Consolidated			
	FY 18 Q1	FY 19 Q1	Variance	Variance %
Income				
Revenue from operations	69.7	78.7	8.9	12.8%
Other income	11.7	10.3	(1.5)	-12.6%
Total income	81.5	88.9	7.4	9.1%
Expenses				
Employee benefits expenses	32.2	40.8	8.6	26.8%
Depreciation and amortisation expenses	1.7	1.2	(0.5)	-28.0%
Other expenses	12.9	9.7	(3.2)	-24.7%
Total expenses	46.8	51.8	5.0	10.6%
Profit before tax	34.7	37.1	2.5	7.1%
Total tax expense	12.1	11.7	(0.3)	-2.7%
Profit after tax	22.6	25.4	2.8	12.3%
Other comprehensive income, net of income tax	(0.1)	(0.0)	0.1	
Profit after other comprehensive income and taxes	22.5	25.4	2.9	12.7%
Minority interest	0.1	0.2	0.0	19.0%
Net profit after taxes and minority interest	22.4	25.2	2.8	12.7%
Operating margins%	35.4%	35.7%		
Adjusted margins%*	30.8%	33.3%		

* Adjustments are primarily for change in accounting practice for provision for doubtful debts and for reversal of provision (made in PY) on account of variable compensation, and export incentives pertaining to CY. Due to the adoption of Ind AS 115, the revenue from operations is higher by Rs 62.26 lakh, income tax expenses by Rs 18.13 lakh and PAT by Rs 44.13 lakh during Q1FY19. Revenue from operations includes export incentive of Rs 68.37 lakh in Q1FY19.

ICRA Group: Profit & Loss (Quarterly Performance)



ICRA Group (₹ crore)	PY Q1	PY Q2	PY Q3	PY Q4	CY Q1
Operating Revenue	69.7	73.8	82.9	82.5	78.7
Total Expenses (Excl. Depreciation & Finance Cost)	45.1	47.5	49.1	52.0	50.5
Reported margins %	35.4%	35.6%	40.7%	36.9%	35.7%
Adjusted Margins %	30.8%	36.2%	37.5%	36.9%	33.3%

ICRA Group: Segment-wise Composition

Revenue Composition (Adjusted)	Q1 FY 18 ₹ Cr	FY 18 %	Q1 FY 19 ₹ Cr	FY 19 %
Ratings	52.8	74.9%	57.1	73.7%
Consultancy	5.5	7.8%	4.5	5.7%
Outsourced and Information Services	12.3	17.4%	16.0	20.6%
Total Operating Income	70.6	100%	77.6	100%

Adjusted margins absolute	Q1 FY 18 ₹ Cr	FY 18 %	Q1 FY 19 ₹ Cr	FY 19 %
Ratings	20.1	92.3%	22.8	88.5%
Consultancy	(1.6)	-7.4%	(2.1)	-8.0%
Outsourced and Information Services	3.3	15.1%	5.0	19.5%
Total Segmental Profits (OPBDIT)	21.8	100%	25.8	100%

Consulting Services

- Operating Revenue is 17% lower as against the corresponding quarter in the previous year on account of de-emphasis on certain non profitable segments due to strategic shift.
- Operating margins improved in Q1 FY19 over Q1 FY18, but continued to be negative.

Outsourcing and Information Services

- Operating revenue (excluding export incentive) recorded a growth of 31% (YoY) in Q1 FY19, driven by growth in outsourcing business. Revenue growth of 6% is on account of decline in rupee.
- Year on year operating margins have improved both on account of revenue growth and decline in rupee.

Merger of two wholly-owned subsidiaries

- The Board has approved merger of its two wholly owned subsidiaries: ICRA Online Limited and ICRA Management Consulting Services Limited, subject to requisite approvals. This merger will provide business synergies and operating efficiency.

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