



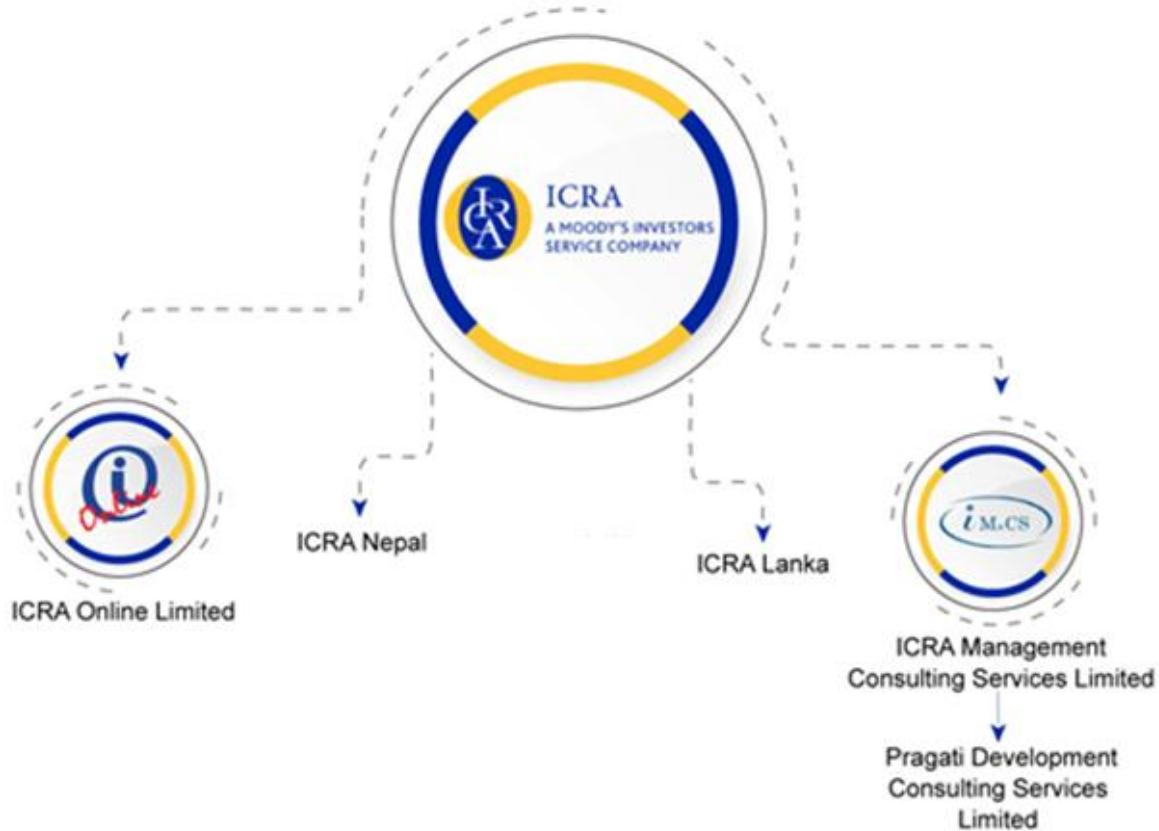
ICRA

A MOODY'S INVESTORS  
SERVICE COMPANY

# Investor Presentation, Q1 FY20

Aug 1, 2019

# ICRA Group Structure





ICRA

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SERVICE COMPANY

# Performance Review: ICRA Limited

- Bank credit outstanding witnessed 12% growth driven by the retail segment and Non Banking Financial Companies (NBFCs).
- Bond issuances witnessed a growth of ~12% y-o-y during Q1FY20, driven by growth in issuances by NBFCs, and banks, even as issuances by corporates stood flat. Simultaneously, commercial paper outstanding grew ~4% (q-o-q) in Q1FY20.
- Structured Finance volumes continued to grow strongly at ~56% (y-o-y) in Q1FY20.

# ICRA Standalone: Financial Highlights

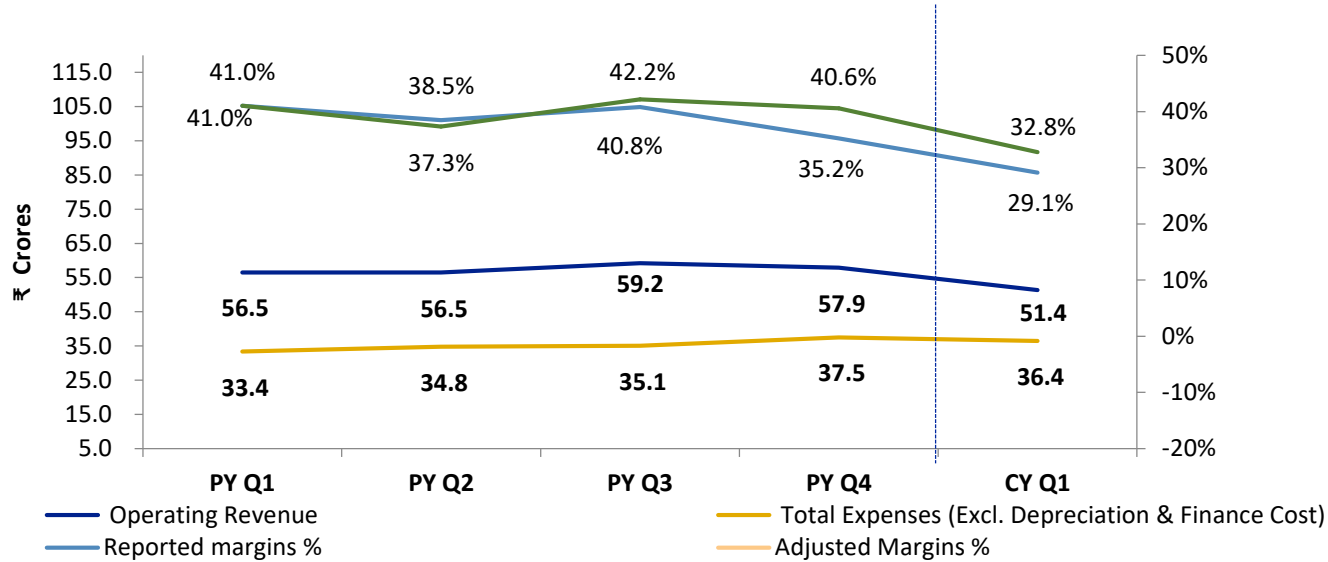
- For the quarter ended June 30, 2019 the Company's operating income was ₹51.4 crore, as against ₹56.5 crore in the corresponding quarter of the previous financial year, reflecting a de-growth of 9.1%. The de-growth in operating income was mainly due to sluggish growth in debt market issuances, both in the corporate and financial sectors. The bank loan ratings also remained subdued, during the quarter under review.
- The other income in the quarter increased by 14.8% compared to the corresponding quarter of the previous financial year, mainly due to higher interest income on bank fixed deposits.
- PBT for the quarter was ₹23.4 crore, reflecting a de-growth of 25.9%, against the corresponding quarter of the previous financial year, mainly due to de-growth in income and higher growth in expenses.
- PAT for the quarter was ₹14.9 crore, 34.5% lower than the corresponding quarter in previous year.

# ICRA Standalone: Financials

Particulars (Rs. Crore)	Standalone			
	FY 19 Q1	FY 20 Q1	Variance Rs	Variance %
<b>Income</b>				
Revenue from operations	56.5	51.4	(5.2)	-9.1%
Other income	8.8	10.1	1.3	14.8%
<b>Total income</b>	<b>65.4</b>	<b>61.5</b>	<b>(3.8)</b>	<b>-5.9%</b>
<b>Expenses</b>				
Employee benefits expenses	27.7	27.5	(0.1)	-0.5%
Finance costs	0.0	0.6	0.5	
Depreciation and amortisation expenses	0.5	1.2	0.7	138.0%
Other expenses	5.7	8.9	3.2	56.9%
<b>Total expenses</b>	<b>33.8</b>	<b>38.2</b>	<b>4.3</b>	<b>12.7%</b>
<b>Profit before tax</b>	<b>31.5</b>	<b>23.4</b>	<b>(8.2)</b>	<b>-25.9%</b>
Total tax expense	8.7	8.4	(0.3)	-3.4%
<b>Profit after tax</b>	<b>22.8</b>	<b>14.9</b>	<b>(7.9)</b>	<b>-34.5%</b>
Other comprehensive income, net of income tax	(0.0)	(0.1)	(0.1)	
<b>Total comprehensive income</b>	<b>22.7</b>	<b>14.8</b>	<b>(7.9)</b>	<b>-34.8%</b>
<b>Operating margins%</b>	<b>41.0%</b>	<b>29.1%</b>		
<b>Adjusted margins%*</b>	<b>41.0%</b>	<b>32.8%</b>		

\* Adjustments mainly pertain to (i) impact of Ind AS116 and (ii) certain one-time expenses.

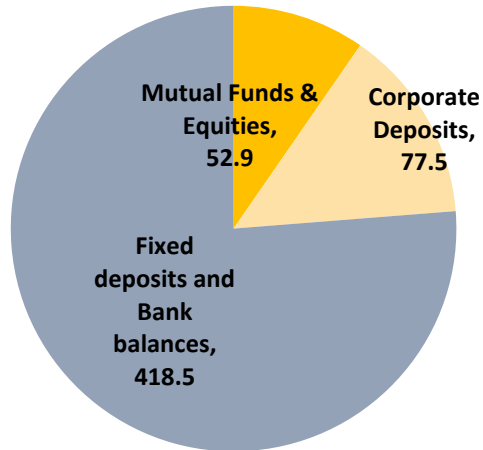
# ICRA Standalone: Profit & Loss (Quarterly Performance)



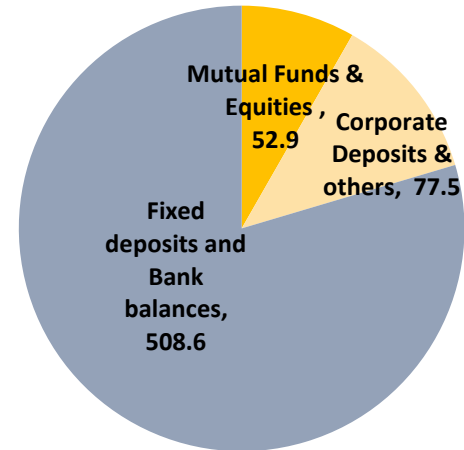
ICRA Ratings (₹ Crores)	PY Q1	PY Q2	PY Q3	PY Q4	CY Q1
Operating Revenue	56.5	56.5	59.2	57.9	51.4
Total Expenses (Excl. Depreciation & Finance Cost)	33.4	34.8	35.1	37.5	36.4
Reported margins %	41.0%	38.5%	40.8%	35.2%	29.1%
Adjusted Margins %	41.0%	37.3%	42.2%	40.6%	32.8%

# ICRA: Investments as on June 30, 2019

ICRA Investments Standalone (₹ 548.8 Cr)



ICRA Investments Group (₹ 638.9 Cr)



- Yield of 7.42% (CAGR) on MF, 7.34 % on Bank deposits, 8.21% 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

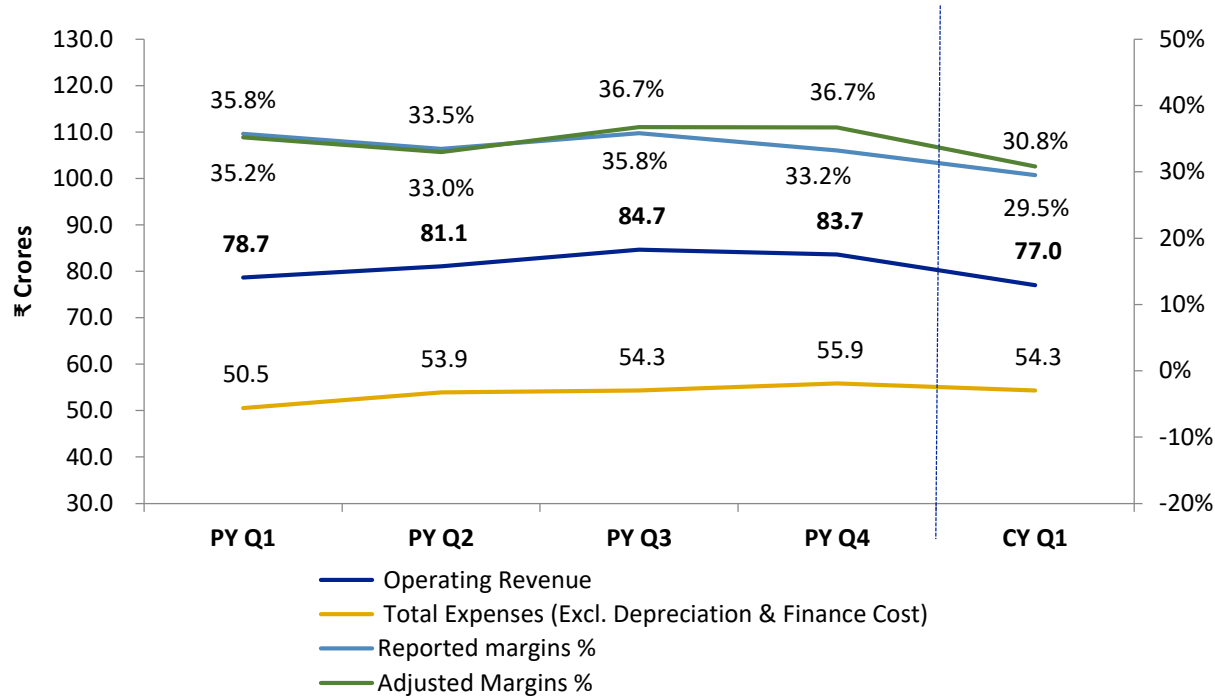
- For the quarter ended June 30, 2019, consolidated operating income was ₹ 77.0 crore, as against ₹ 78.7 crore in the corresponding quarter of the previous financial year, reflecting a de-growth of 2.1%.
- The other income in the quarter increased by 13.6% as compared to corresponding quarter of the previous financial year.
- PBT for the quarter was lower by 15.3% at ₹ 31.5 crore, as against ₹ 37.1 crore in the corresponding quarter.
- PAT for the quarter was lower by 19.8% at ₹ 20.4 crore, as against ₹25.4 crore in the corresponding quarter of the previous financial year.

# ICRA Group: Consolidated Financials

Particulars (Rs. crores)	ICRA Consolidated			
	FY 19 Q1	FY 20 Q1	Variance Rs	Variance %
<b>Income</b>				
Revenue from operations	78.7	77.0	(1.6)	-2.1%
Other income	10.3	11.7	1.4	13.6%
<b>Total income</b>	<b>88.9</b>	<b>88.7</b>	<b>(0.2)</b>	<b>-0.3%</b>
<b>Expenses</b>				
Employee benefits expenses	40.8	41.5	0.7	1.7%
Finance costs	0.0	0.6	0.6	
Depreciation and amortisation expenses	1.2	2.3	1.0	83.2%
Other expenses	9.7	12.8	3.1	31.9%
<b>Total expenses</b>	<b>51.8</b>	<b>57.2</b>	<b>5.4</b>	<b>10.5%</b>
<b>Profit before tax</b>	<b>37.1</b>	<b>31.5</b>	<b>(5.7)</b>	<b>-15.3%</b>
Total tax expenses	11.7	11.1	(0.6)	-5.5%
<b>Profit after tax</b>	<b>25.4</b>	<b>20.4</b>	<b>(5.0)</b>	<b>-19.8%</b>
Other comprehensive income, net of income tax	(0.0)	(0.1)	(0.1)	
<b>Total comprehensive income</b>	<b>25.4</b>	<b>20.2</b>	<b>(5.1)</b>	<b>-20.2%</b>
Minority interest	0.2	0.2	0.1	41.2%
<b>Net profit after taxes and minority interest</b>	<b>25.2</b>	<b>20.0</b>	<b>(5.2)</b>	<b>-20.7%</b>
<b>Operating margins%</b>	<b>35.8%</b>	<b>29.5%</b>		
<b>Adjusted margins%*</b>	<b>35.2%</b>	<b>30.8%</b>		

\* Adjustments mainly pertain to (i) impact of Ind AS116 (ii) Export incentives and (iii) certain one-time expense.

# ICRA Group: Profit & Loss (Quarterly Performance)



ICRA Group (₹ Crores)	PY Q1	PY Q2	PY Q3	PY Q4	CY Q1
Operating Revenue	78.7	81.1	84.7	83.7	77.0
Total Expenses (Excl. Depreciation & Finance Cost)	50.5	53.9	54.3	55.9	54.3
<b>Reported margins %</b>	<b>35.8%</b>	<b>33.5%</b>	<b>35.8%</b>	<b>33.2%</b>	<b>29.5%</b>
<b>Adjusted Margins %</b>	<b>35.2%</b>	<b>33.0%</b>	<b>36.7%</b>	<b>36.7%</b>	<b>30.8%</b>

# ICRA Group: Segment-wise Composition

Revenue Composition (Adjusted)	Q1 FY 19 Rs. Cr	FY 19 %	Q1 FY 20 Rs. Cr	FY 20 %
Ratings	57.5	73.8%	52.8	69.6%
Consultancy	4.5	5.7%	4.6	6.0%
Outsourced and Information Services	16.0	20.5%	18.5	24.4%
<b>Total Operating Income</b>	<b>78.0</b>	<b>100.0%</b>	<b>75.9</b>	<b>100.0%</b>

Operating Profit (Adjusted)	Q1 FY 19 Rs. Cr	FY 19 %	Q1 FY 20 Rs. Cr	FY 20 %
Ratings	24.0	87.3%	17.5	74.8%
Consultancy	(1.5)	-5.6%	(0.4)	-1.5%
Outsourced and Information Services	5.0	18.3%	6.2	26.7%
<b>Total Segmental Profits (OPBDIT)</b>	<b>27.5</b>	<b>100.0%</b>	<b>23.4</b>	<b>100%</b>

## Consulting Services

- The growth in revenue of consulting business was flat on account of de-emphasis on certain business segments. However, various cost control measures have led to a reduction in losses.

## Outsourcing and Information Services

- Operating revenue recorded a growth of 18% (excluding export incentive) against the corresponding quarter of the previous year, driven by growth in domestic and global businesses, including the benefit of the rupee depreciation.

## 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, New Delhi, has sanctioned the scheme of amalgamation filed by the Transferor Company. The said scheme of amalgamation will be effective upon sanctioning of the scheme filed by the Transferee Company by the National Company Law Tribunal, Kolkata.

*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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