



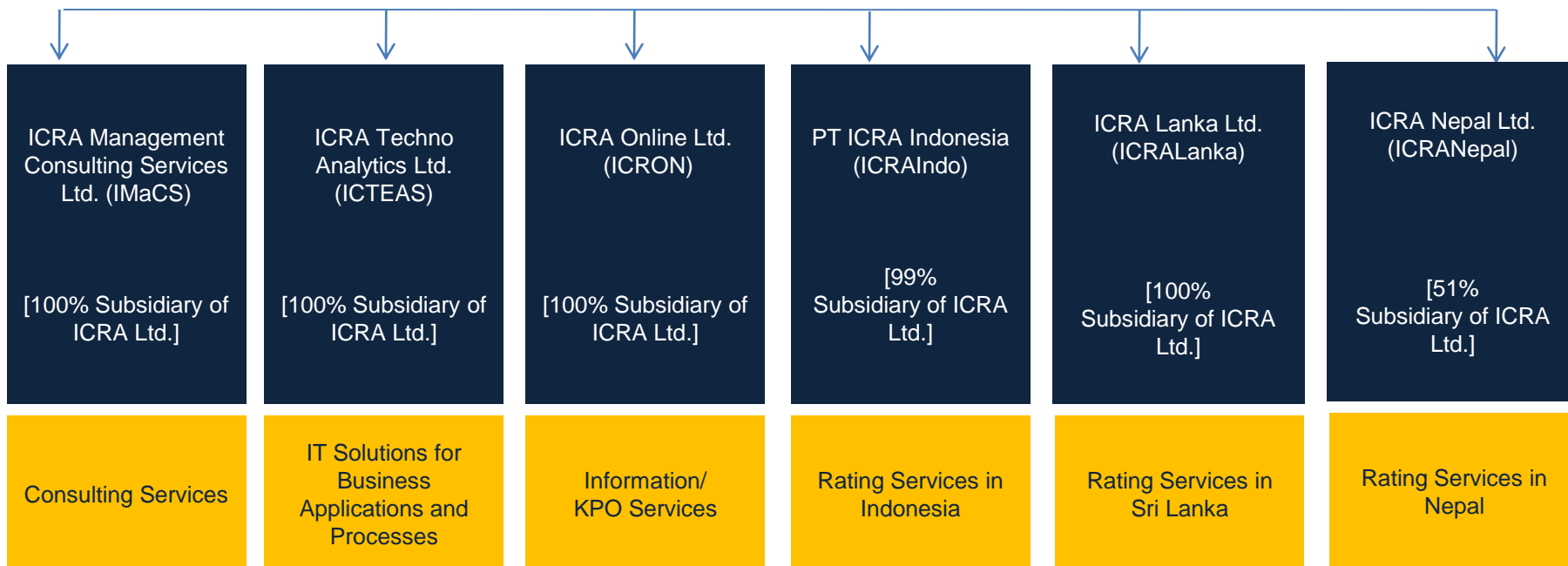
ICRA Limited

Analyst Presentation, 2012-13
May 2013

Business Profile

Business Profile

ICRA Limited Rating, Grading & Information Services



- ICRA is one of the leading credit rating agencies in India, and an Associate of Moody's Investors Service
- ICRA, through its subsidiaries, has started offering rating services in Indonesia, Nepal and Sri Lanka
- Besides ratings, ICRA Group offers consulting, IT-based, information, and outsourcing services

Performance Review: ICRA Limited

Rating Performance Highlights FY2013

- Continuing sluggishness industry-wide in Debt Market and Bank Loan rated volumes
- Significant growth in number of new entities rated by ICRA for Bank Loans (up ~29%). However, smaller size of rated entities and intense competition pushed down the average fee per entity for Bank Loan ratings
- Good pick-up in SSI/SME ratings

ICRA: Q4 Update

Revenues: (Rs. lakh)	Q4 (11-12)	Q4 (12-13)	Gr %	Q3 (12-13)	(Q4/Q3)
Operating Income	4,331	4,629	7%	3,846	20%
Other Income	965	1,011	5%	74	1266%
Total Income	5,296	5,640	6%	3,920	44%
PBDT	3,160	3,235	2%	1,625	99%
Depreciation	49	60	22%	58	3%
PBT	3,111	3,175	2%	1,567	103%
Taxes	850	426	-50%	515	-17%
PAT (Reported)	2,261	2,749	22%	1,052	161%
PAT*	2,370	2,793	18%	1,120	149%
Operating Profits (PBDIT)	2,405	2,415	0%	1,715	41%
Operating Profits (PBDIT)*	2,549	2,473	-3%	1,805	37%
Key Ratios					
Personnel Expenses/Total Income	28%	30%		42%	
Personnel Expenses/Total Income*	25%	28%		40%	
Admn. & Other Expenses/Total Income	12%	13%		16%	
PBDIT/Total Income	60%	57%		41%	
Operating PBDIT/Operating Income	56%	52%		45%	
Operating PBDIT/Operating Income*	59%	53%		47%	
Tax/PBT**	27%	13%		33%	
<i>Amortisation of Employees Compensation</i>	<i>162</i>	<i>65</i>	<i>-60%</i>	<i>101</i>	<i>-36%</i>

*Without impact of ESOS Amortisation

** Tax provision for deferred employee compensation for 2010-11, amounting to Rs. 249.56 lakh, reversed and adjusted against Current Tax in Q4 (12-13) following court and IT tribunal judgments

ICRA: Standalone Financials FY2013

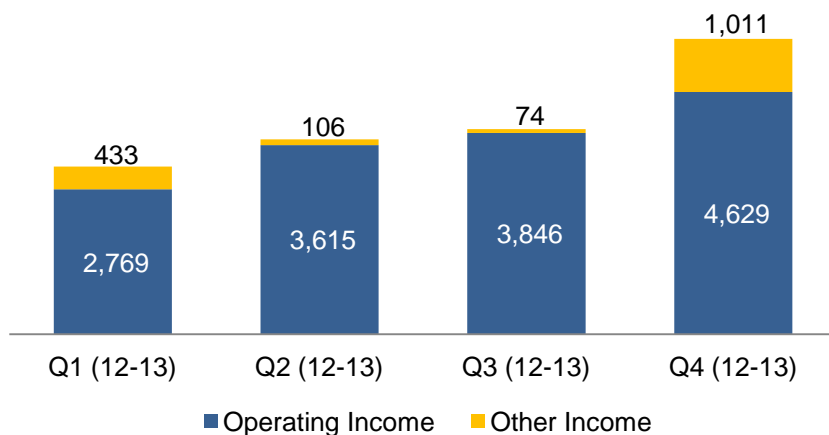
Revenues: (Rs. lakh)	12m (11-12)	12m (12-13)	Growth %
Operating Income	13,936	14,859	7%
Other Income	1,974	1,624	-18%
Total Income	15,910	16,483	4%
PBDT	7,763	7,499	-3%
Depreciation	190	211	11%
PBT	7,573	7,288	-4%
Taxes	2,483	1,250	-50%
PAT (Reported)	5,090	6,038	19%
PAT*	5,963	6,363	7%
Operating Profits (PBDIT)	6,640	6,595	-1%
Operating Profits (PBDIT)*	7,795	7,023	-10%
Key Ratios			
Personnel Expenses/Total Income	38%	39%	
Personnel Expenses/Total Income*	30%	36%	
Admn. & Other Expenses/Total Income	13%	16%	
PBDIT/Total Income	49%	45%	
Operating PBDIT/Operating Income	48%	44%	
Operating PBDIT/Operating Income*	56%	47%	
Tax/PBT**	33%	17%	
<i>Amortisation of Employees Compensation</i>	<i>1,292</i>	<i>481</i>	<i>-63%</i>

*Without impact of ESOS Amortisation

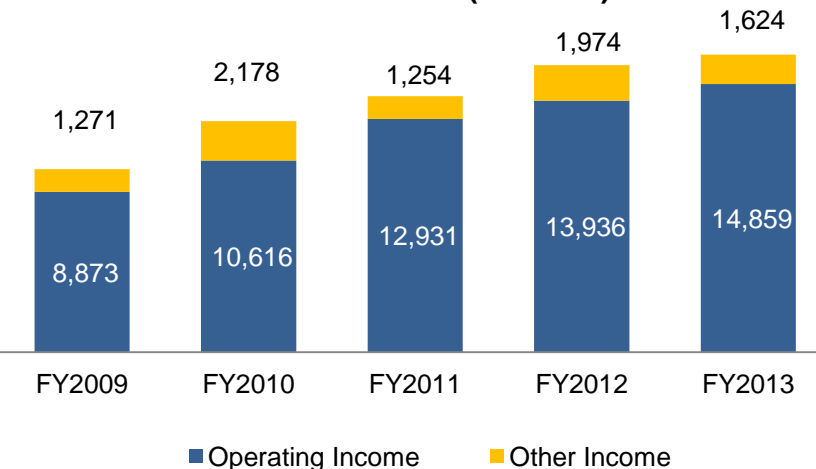
** Previous years' tax provisions for deferred employee compensation, amounting to Rs. 668.75 lakh, reversed and adjusted against Current Tax in 12m (12-13) following court and IT tribunal judgments

ICRA: Trend in Financial Performance

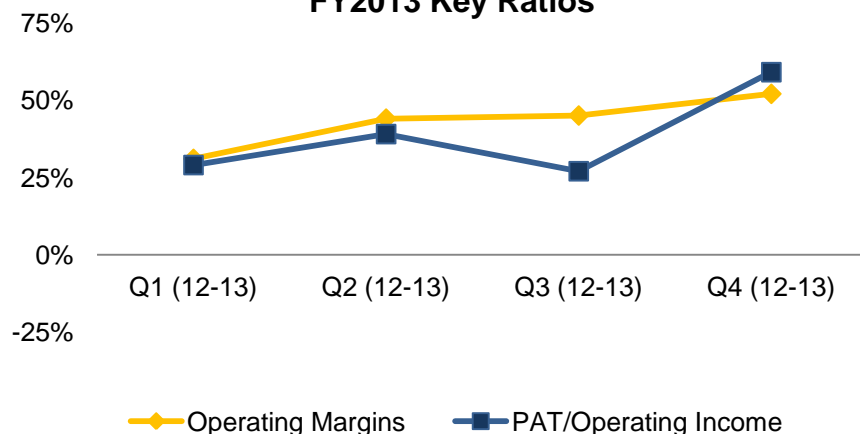
FY2013 Revenue (Rs. lakh)



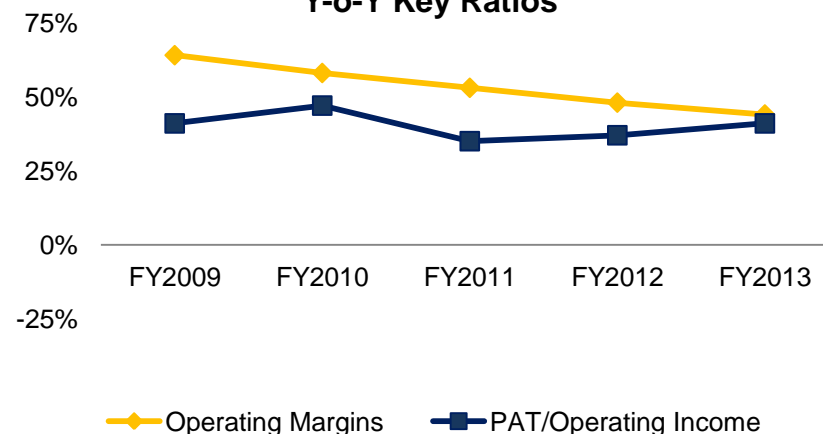
Y-o-Y Revenue (Rs. lakh)



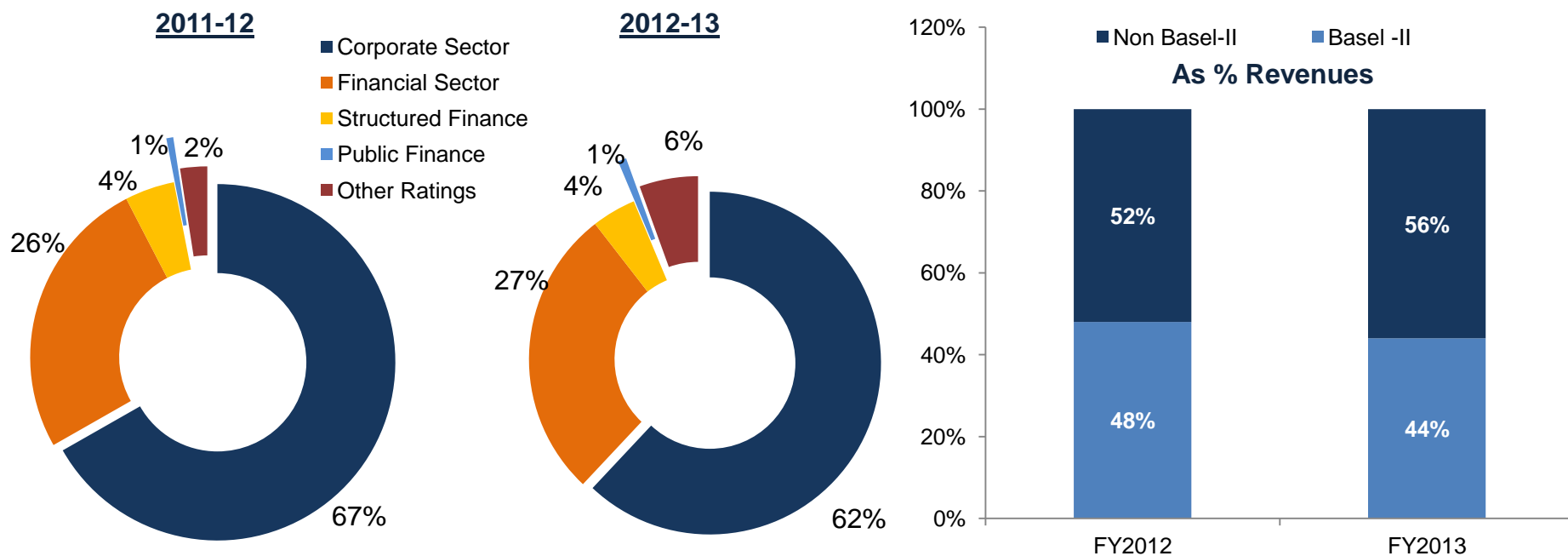
FY2013 Key Ratios



Y-o-Y Key Ratios

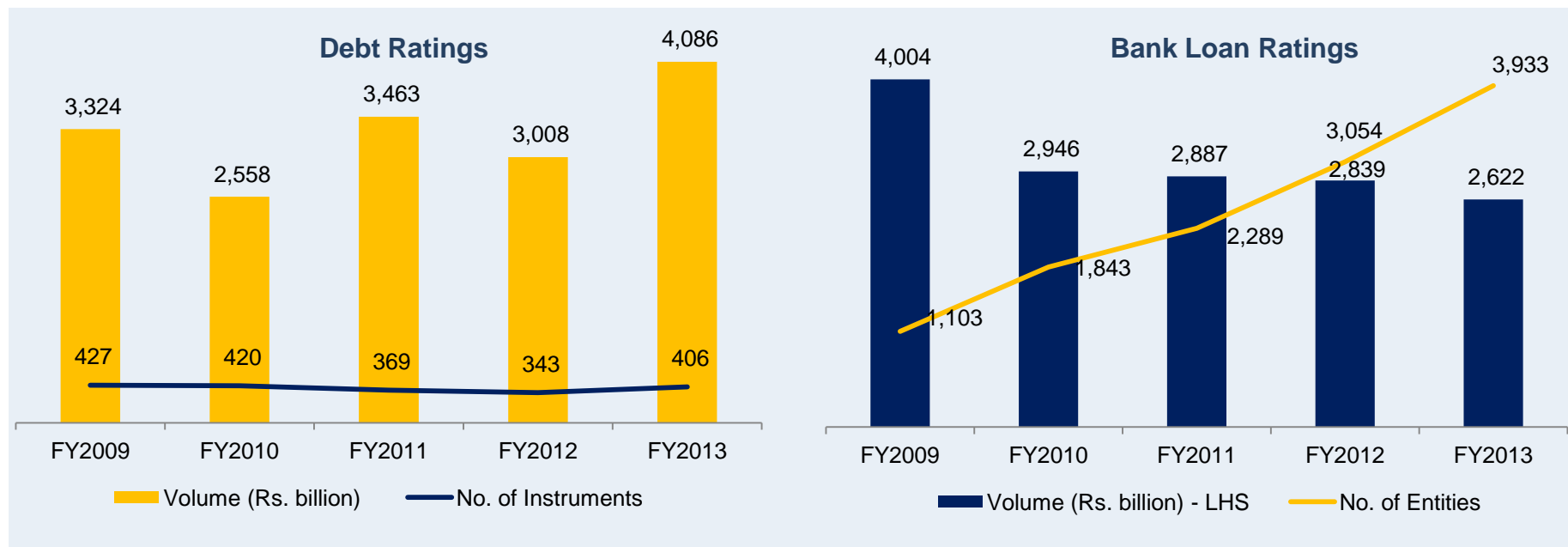


ICRA: Segment-wise Revenue



- With reduced ticket size and competitive pressures on pricing, fresh Bank Loan ratings suffer a decline despite ~29% increase in number of ratings
- Debt market related business posts moderate growth with some signs of pick-up from Q3
- Financial sector and non-traditional products (NTP) support growth; NTP to remain an important revenue growth driver

ICRA: Rated Volumes



- Growth in number of fresh instruments, volume of fresh debt rated by ICRA reflect some pick-up in debt markets
- Number of ICRA-rated entities under Bank Loan ratings continued to grow well (~29%), but volume of fresh Bank Loan ratings fell, given relatively smaller size of fresh rated entities

ICRA: Business Outlook

Debt Market

- **Short to medium term:** Volumes likely to be sensitive to movements in interest rates, liquidity conditions; environment to remain challenging in short term with investments and overall economic conditions remaining sluggish. However pick-up in refinancing activity expected
- **Medium to long term:** Potential remains favourable, given significant scope to increase debt-market penetration, large scale investments expected in the economy

Bank Loans

- Ratings coverage of Bank Loans expected to continue growing
- Ticket sizes likely to continue diminishing
- Growth of bank credit in economy expected to improve 15-16% in FY2014 (PY 14%)

Structured Finance

- **Short term:** Regulatory changes/Tax related uncertainties likely to impact business opportunities

New Products

- Successful scaling up of new product lines to provide growth opportunities

Competitive pressures expected to remain intense

ICRA: Challenges & Risk Factors

- Significant slowdown in economic or investment growth
- Protracted slowdown/disruption in domestic debt/capital markets/bank credit
- 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, plus increasing share of smaller-ticket business

Performance Review: ICRA Group

ICRA Group: Financial Highlights

- Consolidated Group Operating Revenue up 21% (PY 7%)
- Consolidated Group Net Profit up 9% (PY 12%)
- EPS up to Rs. 59.16 (PY Rs. 54.01)
- Dividend of Rs. 22 per share proposed

ICRA Group: Business Update (1)

Advisory Services

- Revenue up marginally by 2% in FY2013 compared with FY2012 (PY revenue growth Nil)
Economic slowdown and increased business uncertainty curbed clients' spending on consulting
- Profits lower by 36% vis-à-vis previous fiscal
Intense pricing pressure in consulting industry because of falling demand, excess consulting capacity in India
One-off extraordinary expense (unforeseen spike in municipality tax payables and resulting arrears) accounted for 45% of decline in profit

IT-Related Services

- Revenue grew 116% (PY 10%)
- Increase in Revenue contributed primarily by BPA Technologies, Inc. (BPA)*. Without BPA, Revenue of IT-related Services reported decrease of 4% in FY2013. Drop in business from a non-strategic but relatively large customer contributed to negative growth
- While rupee depreciation provided support, profitability impacted by higher infrastructure (addition of floor space) and manpower costs
- Legal Expenses (US\$0.45 mn) and bad Debts' Write-off/Provisions for Doubtful Debts (US\$0.62 mn) relating to BPA also affected performance during FY2013
- Challenges
 - Decrease in business from existing customers
 - Market-wide pressure on rates and reduced availability of skilled resources in the US
 - Induction and retention of skilled professionals at middle management level
 - Acquisition of large customers against competition from large IT vendors

**California-based glogal business consulting and software technology services company acquired (majority stake) in May 2012.*

ICRA Group: Business Update (2)

Outsourcing & Information Services

- Revenue grew 23% (PY 11%)
- Acquisition of new orders in international, domestic markets aided by rupee depreciation
- Challenges
 - To expand global client base
 - To maintain profitability in the face of increasing cost, competitive pricing

Group ICRA: Consolidated Financials

Revenues: (Rs. lakh)	Q4 (11-12)	Q4 (12-13)	Gr %	Q3 (12-13)	(Q4/Q3)
Ratings	4,336	4,644	7%	3,913	19%
Consultancy	739	756	2%	619	22%
Outsourced and Information Services	469	527	12%	569	-7%
IT-related (Sales & Professional)	716	1,362	90%	1,425	-4%
Total Operating Income	6,260	7,289	16%	6,526	12%
Other Income	954	1,039	9%	134	675%
Total Income	7,214	8,328	15%	6,660	25%
PBDT	3,349	3,090	-8%	1,700	82%
Depreciation	126	131	4%	129	2%
PBT	3,223	2,959	-8%	1,571	88%
Taxes**	795	410	-48%	464	-12%
PAT (Reported)	2,428	2,549	5%	1,107	130%
PAT*	2,537	2,593	2%	1,175	121%

*Without impact of ESOS Amortisation

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Group ICRA: Consolidated Financials

Revenues: (Rs. lakh)	12m (11-12)	12m (12-13)	Growth %
Ratings	13,947	14,956	7%
Consultancy	2,517	2,573	2%
Outsourced and Information Services	1,758	2,160	23%
IT-related (Sales & Professional)	2,524	5,453	116%
Total Operating Income	20,746	25,142	21%
Other Income	2,129	1,791	-16%
Total Income	22,875	26,933	18%
 PBDT	 8,382	 7,687	 -8%
Depreciation	465	483	4%
PBT	7,917	7,204	-9%
Taxes**	2,531	1,323	-48%
PAT (Reported)	5,386	5,881	9%
 PAT*	 6,259	 6,206	 -1%

*Without impact of ESOS Amortisation

** Previous years' tax provisions for deferred employee compensation, amounting to Rs. 668.75 lakh, reversed and adjusted against Current Tax in 12m (12-13) following court and IT tribunal judgments

Group ICRA: Consolidated Financials

Revenue Contribution	12m (11-12)	12m (12-13)
Ratings	67%	59%
Consultancy	12%	10%
Outsourced and Information Services	8%	9%
IT-related (Sales & Professional)	12%	22%
Total Operating Income	100%	100%

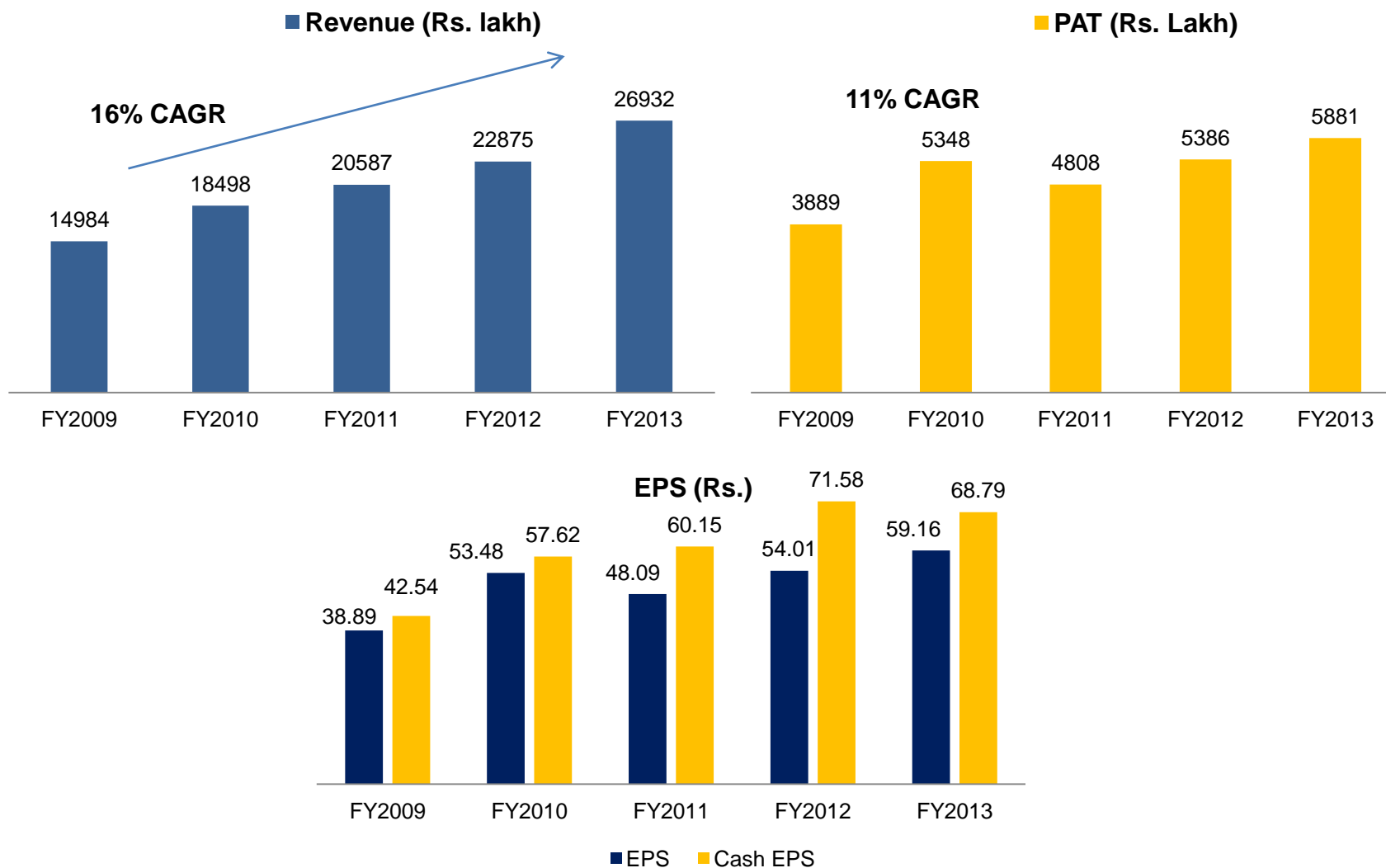
Segment-wise PBDIT contribution	12m (11-12)	12m (12-13)
Ratings	91%	96%
Consultancy	3%	2%
Outsourced and Information Services	3%	5%
IT-related (Sales & Professional)	3%	-3%
Total OPBDIT	100%	100%

**Without impact of ESOS amortisation*

ICRA Group: Consolidated Financials

Profitability-related Indicators	12m (11-12)	12m (12-13)
Segment-wise OPBDIT margins		
Ratings PBDIT margins	47%	44%
Consulting PBDIT margins	7%	5%
Outsourcing and Information PBDIT margins	12%	16%
IT PBDIT margins	10%	-4%
<i>EPS (Wtd. Avg.) in Rs.</i>	<i>54.01</i>	<i>59.16</i>
<i>Cash EPS (Wtd. Avg.) in Rs.</i>	<i>71.58</i>	<i>68.79</i>

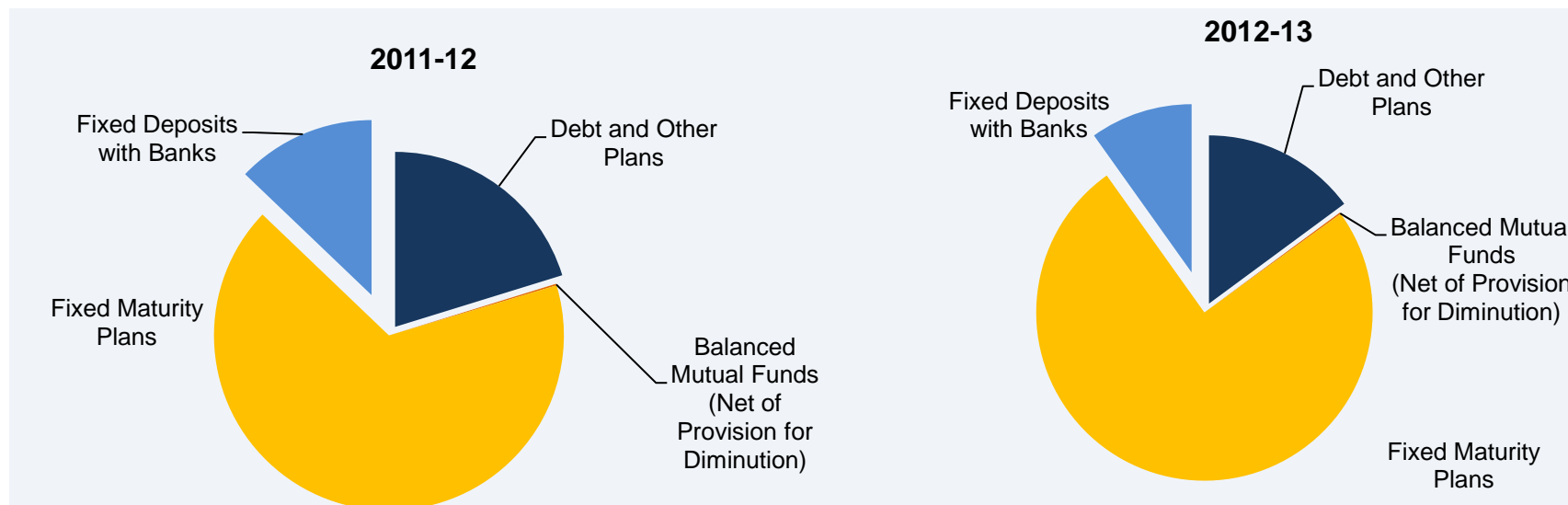
ICRA Group: Performance Over the Years



ICRA Group: Profile of Liquid Assets

Liquid Assets (Rs. lakh)	2011-12	2012-13
Debt and Other Plans	5,483	3,786
Balanced Mutual Funds (Net of Provision for Diminution)	42	38
Fixed Maturity Plans	18,092	19,100
Fixed Deposits with Banks	3,485	2,508
Total Liquid Investments	27,102	25,432

Liquid investments continue to be conservatively deployed in Debt Funds, Fixed Maturity Plans and Fixed Deposits with Banks



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 “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.