



ICRA Limited

Analyst Presentation, 2016-17
11th May, 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

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

Independent credit opinion supported by research

 Leading provider of credit ratings and research for risk assessment and management

 Subsidiary of Moody's Investors Service

Ratings

- ☐ 25+ years of operating history
- ☐ 250+ dedicated analyst staff
- ☐ 6000+ live ratings across sectors
- ☐ Pan-India presence
- ☐ First to rate partially guaranteed bonds and Tier-I bonds under Basel III

Research

- ☐ Sector focused analyst teams
- ☐ Wide coverage of 100+ sectors
- ☐ Monthly/Quarterly research publications
- ☐ 200+ special comments on emerging issues
- ☐ 90+ webinars and 10,000+ participants
- ☐ Dedicated website www.icraresearch.in

Performance Review: ICRA Limited

ICRA Standalone: Financial Highlights

- ❑ Operating income grew by 8.8% to Rs.58.07 Cr. for the quarter ending March 31, 2017. This was because of good growth in debt market related ratings.
- ❑ Other Income is higher by almost 50% y-o-y, mainly due to higher interest income
- ❑ PBT grew by 22.6% and was at Rs. 30.78 Cr
- ❑ Growth in PAT is 23.2% at Rs 20 Cr
- ❑ The company recommends a dividend of INR 27 per equity share, (270% of the face value of INR 10 each equity share)for the financial year ended March 31, 2017 (previous year INR 25 per equity share). The payment of dividend is subject to approval at the forthcoming Annual General Meeting.
- ❑ The company successfully completed its buyback on April 3, 2017

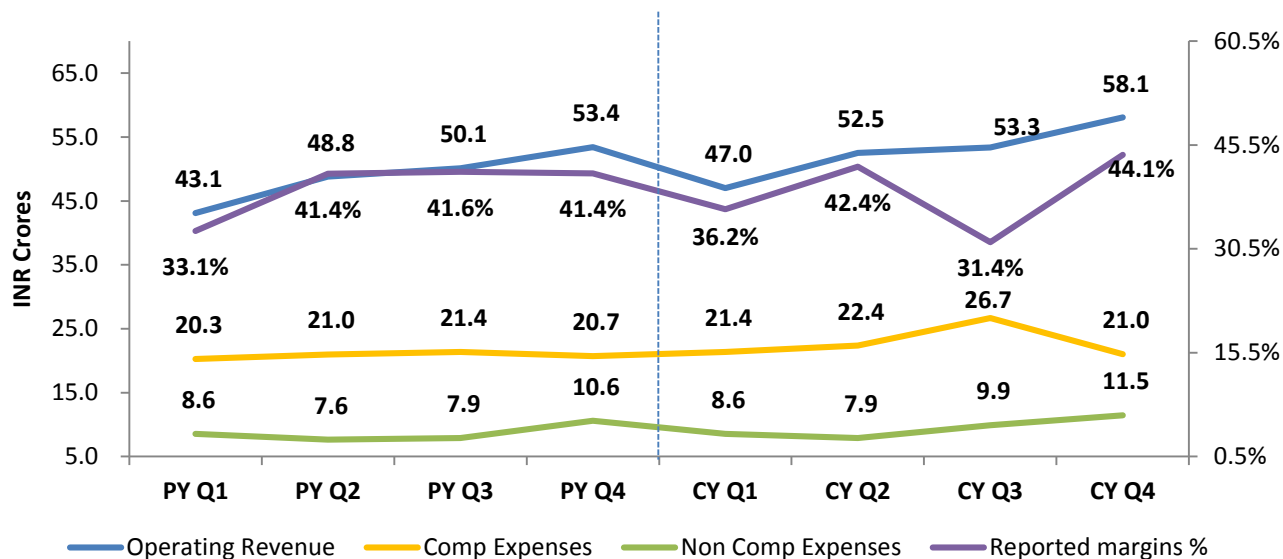
ICRA: Standalone Financials

Revenues: (INR Lakh)	FY 16	FY 17	Growth	FY 16	FY 17	Growth
			%	Q4	Q4	%
Operating Income	19,537	21,090	7.9%	5,338	5,807	8.8%
Other Income	2,369	3,403	43.6%	406	605	49.0%
Total Income	21,906	24,493	11.8%	5,744	6,412	11.6%
Personnel Expenses	8,333	9,146	9.8%	2,072	2,102	1.4%
Administrative Expenses	1,088	1,165	7.1%	306	332	8.5%
Other Expenses	2,375	2,617	10.2%	750	815	8.7%
Total Expenses	11,796	12,928	9.6%	3,128	3,249	3.9%
Profit before depreciation, prior period adjustments, exceptional items & tax	10,110	11,565	14.4%	2,616	3,163	20.9%
Depreciation	356	320	-10.1%	106	85	-19.8%
Profit before exceptional items & tax	9,754	11,245	15.3%	2,510	3,078	22.6%
Exceptional items*	(345)	681		-	-	
PBT	9,409	11,926	26.8%	2,510	3,078	22.6%
Taxes	3,262	3,598	10.3%	887	1,078	21.5%
PAT	6,147	8,328	35.5%	1,623	2,000	23.2%
Operating Profits (PBDIT)	7,741	8,162	5.4%	2,210	2,558	15.7%
Key Ratios						
PBT (before exceptional items)/Total Income	44.5%	45.9%		43.7%	48.0%	
Operating PBDIT/Operating Income	39.6%	38.7%		41.4%	44.1%	

*Exceptional item in FY16 represents Impairment of investment in PT ICRA Indonesia and FY 17 represents Capital gain from sale of ICTEAS (wholly owned subsidiary)

One time additional expenses in FY 17: Leave encashment (INR 1.4 Cr), Buyback expenses (INR 1.8 Cr), Disinvestment related expenses (INR 4.28 Cr)

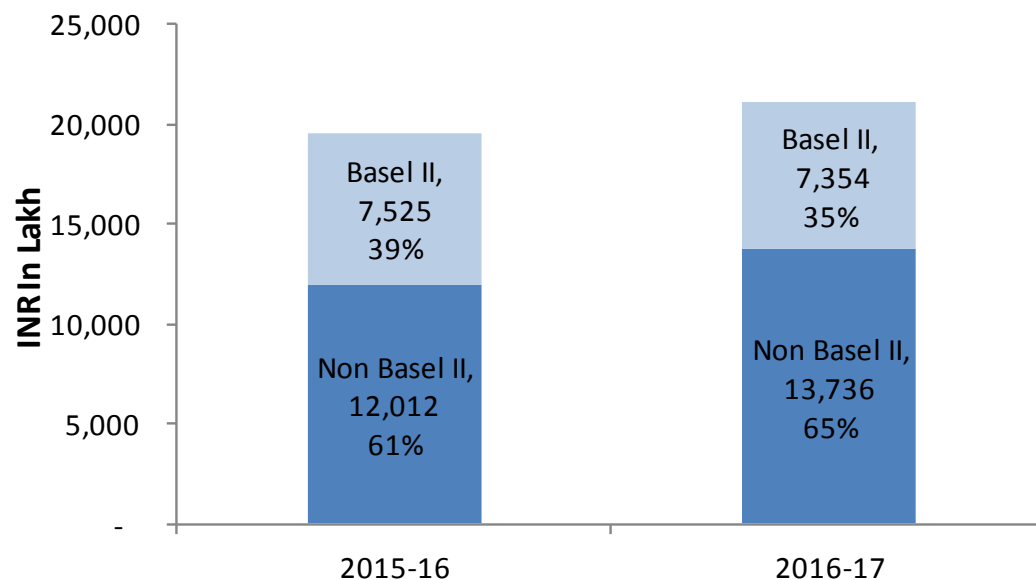
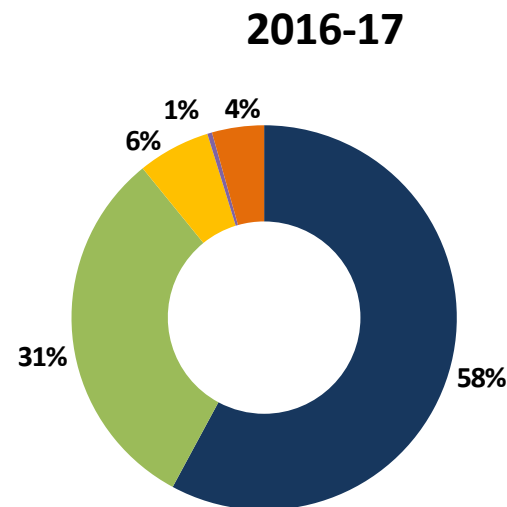
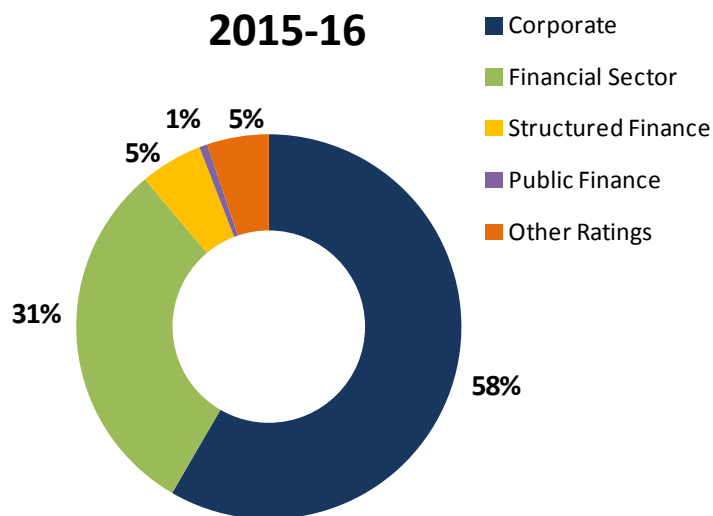
ICRA Standalone Profit & Loss (Quarterly Performance)



ICRA Limited (INR Crores)	PY Q1	PY Q2	PY Q3	PY Q4	CY Q1	CY Q2	CY Q3	CY Q4
Operating Revenue	43.1	48.8	50.1	53.4	47.0	52.5	53.3	58.1
Comp Expenses	20.3	21.0	21.4	20.7	21.4	22.4	26.7	21.0
Non Comp Expenses	8.6	7.6	7.9	10.6	8.6	7.9	9.9	11.5
Reported margins %	33.1%	41.4%	41.6%	41.4%	36.2%	42.4%	31.4%	44.1%

*PY: Previous year, CY: Current year

ICRA: Segment-wise Revenues



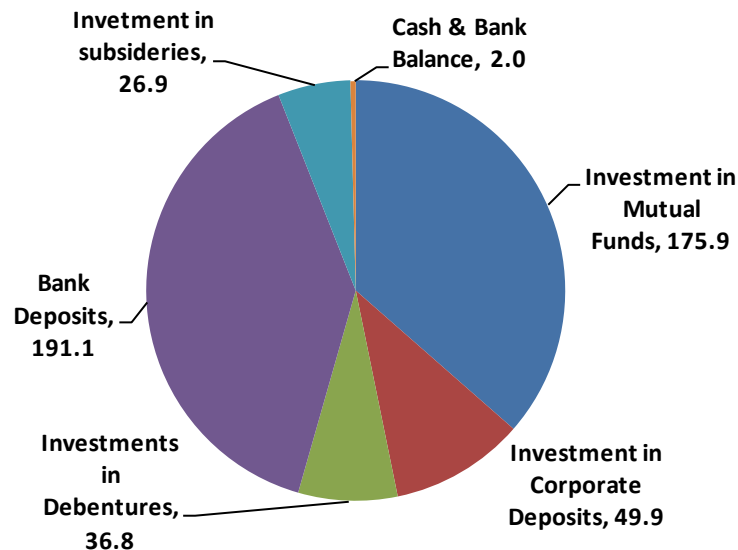
Debt Market recorded healthy expansion during the year resulting in robust growth in Non Basel revenues

Basel Revenues got impacted due to modest growth in bank credit in FY17

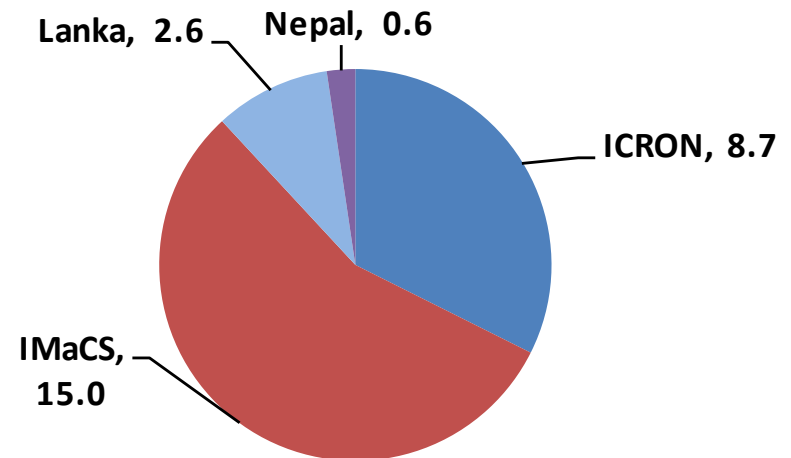
Securitisation market continued the positive momentum with the issuance volume rising significantly over previous year

ICRA Investments as on Mar 31, 2017

ICRA Investments Standalone(INR 482.5 Cr)



Investment in Subsidiaries (INR. 26.9 Cr)

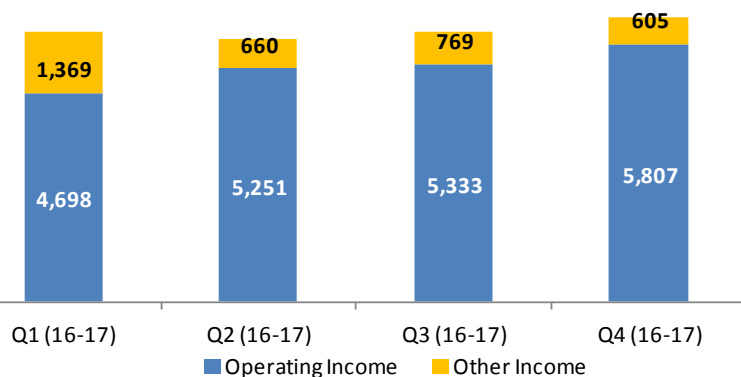


- ❑ Cash & Cash Equivalents (including Investments in MFs, FDs, Debentures & Corporate Deposits) of INR.455.6 Cr for ICRA Standalone
- ❑ Yield of 9.2% on MF, 7.2% on Bank deposits and 10% on Debentures

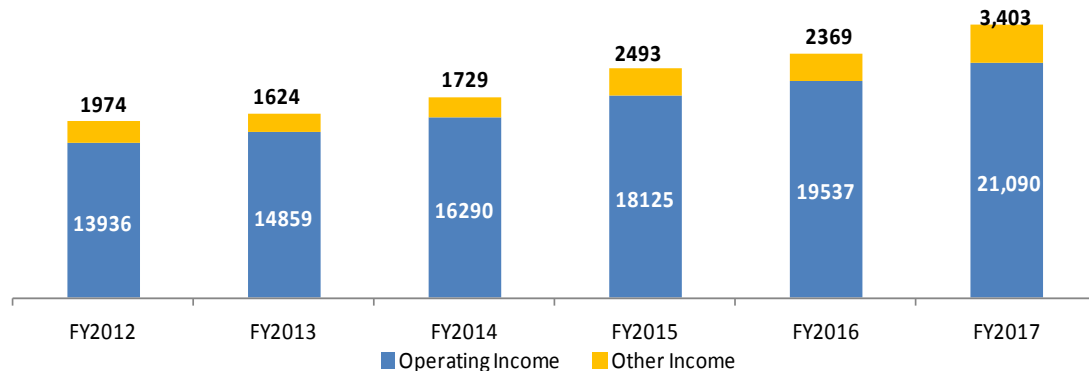
* Post ICTEAS sale as on October 7, 2016 and impairment recognition in PT ICRA Indonesia in previous years

ICRA: Trend in Financial Performance

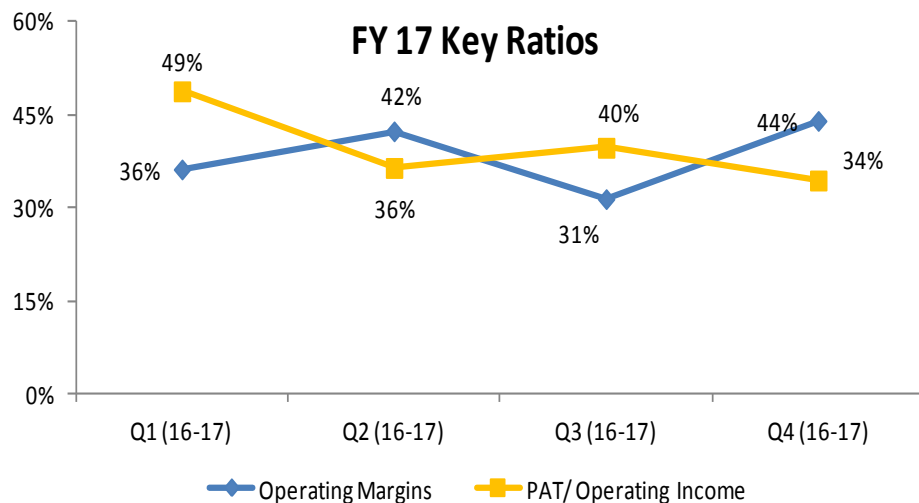
FY 17 Revenue (INR Lakh)



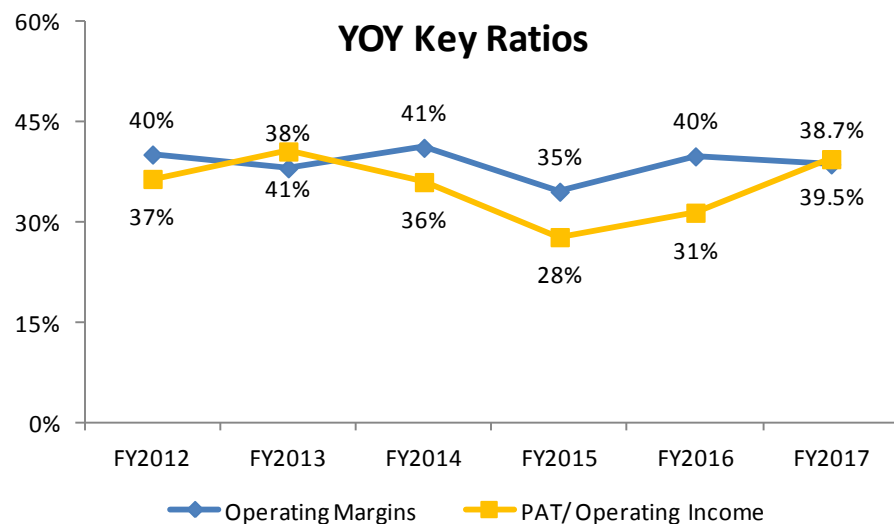
YOY Revenue (INR Lakh)



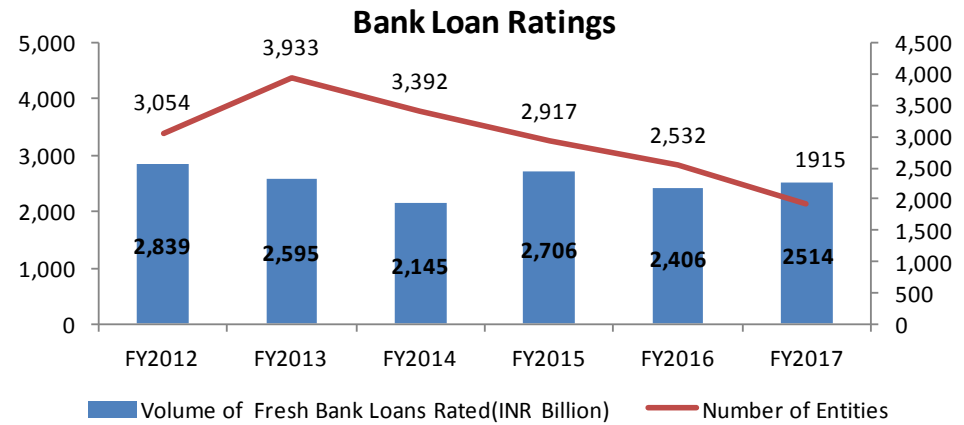
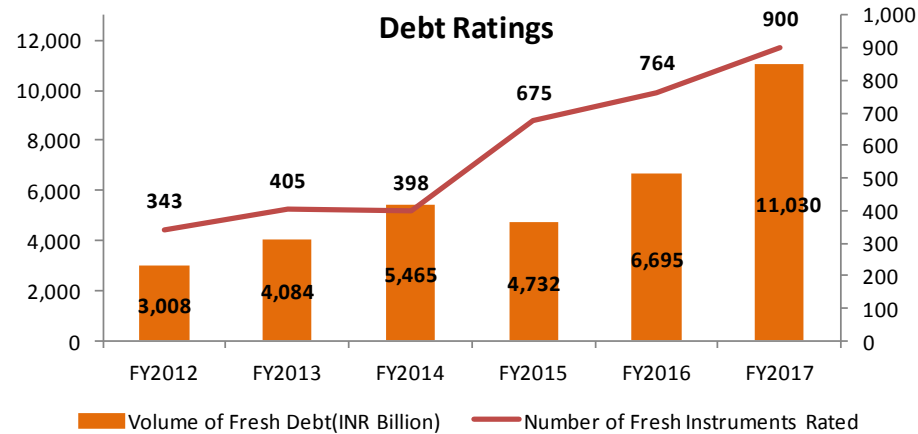
FY 17 Key Ratios



YOY Key Ratios



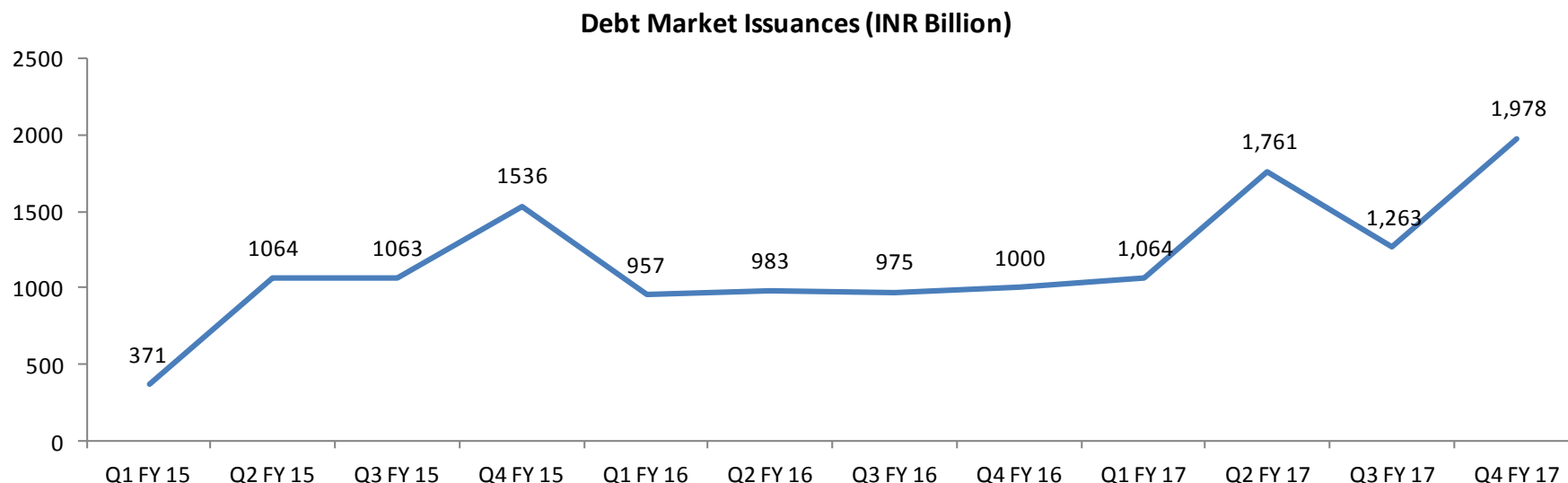
ICRA: Rated Volumes



Debt market related ratings have shown consistent growth year on year. Growth in bank loan related ratings have moderated, and we have reduced our presence in certain segments.

Operating Environment

- ❑ Moderate capacity utilisation, high leverage levels of some large corporate groups and weak asset quality of the banking system continued to delay a broad-based recovery in investment activity
- ❑ Yields during the quarter initially declined, however, firmed up towards the end of the quarter
- ❑ Demonetisation temporarily affected economic activity in some sectors. The consumption boost that was expected in H2 FY2017 on account of the near-normal monsoon and the implementation of the Seventh Central Pay Commission's (SCPC's) recommendations, was affected by the note ban
- ❑ Debt market issuance during Q4 increased by 98% year on year. NBFC and corporate issuances drove debt market growth aided by faster transmission and finer pricing
- ❑ CP issuances continued to be active and showed robust growth. CP outstanding increased significantly over last year(53% YoY)



Source: Bloomberg

ICRA: Challenges & Risk Factors

- ☐ Transition to the Goods and Services Tax (GST) may lead to momentary disruptions
- ☐ Any economic slow down may impact the volume of bank credit or debt securities, thereby impacting business
- ☐ 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

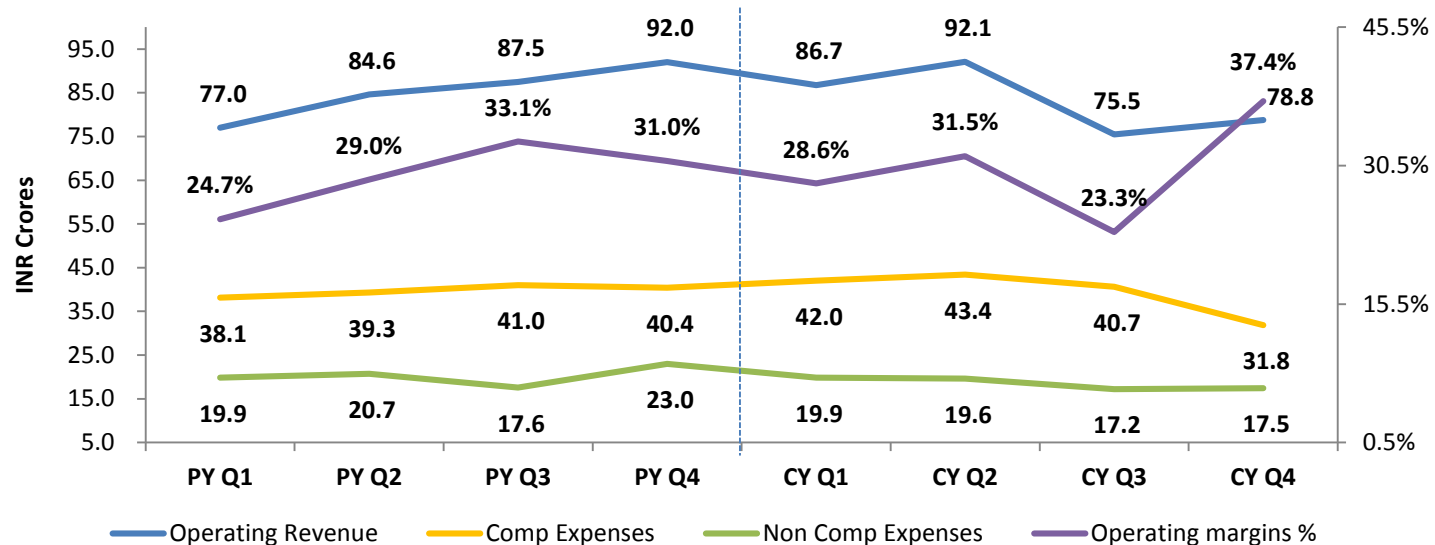
- ❑ Consolidated Operating Income was at Rs. 78.78 Cr, as against Rs. 92.01 Cr in the corresponding quarter of the previous fiscal year, reflecting a decline of 14.4%. This was mainly due to the sale of the IT business in October 2016
- ❑ Despite decline in Operating Income, the PBT for the quarter was higher by 10.3% and was at Rs.33.74 Cr, supported by higher Other Income and lower expenses
- ❑ Consolidated Operating Income was Rs. 333.03 Cr, compared to Rs. 341.15 Cr in the previous fiscal year. The moderate decline was mainly due to sale of the IT business and was compensated by growth in other business segments
- ❑ The PBT for the current year was at Rs. 116.85 Cr, compared to Rs. 118 Cr in the previous year. In spite of sale of the IT business, the decline was less than 1%

ICRA Group: Consolidated Financials

Revenues: (INR lakh)	FY 16	FY 17	Growth %	FY 16 Q4	FY 17 Q4	Growth %
Ratings	19,747	21,343	8%	5,371	5,870	9%
Consultancy	2,854	2,978	4%	742	781	5%
Outsourced and Information Services	4,194	4,841	15%	1,147	1,213	6%
IT related (Sales & Professional)	7,320	4,141	-43%	1,941	14	-99%
Total Operating Income	34,115	33,303	-2%	9,201	7,878	-14%
Other Income	2,708	2,452	-9%	492	625	27%
Total Income	36,823	35,755	-3%	9,693	8,503	-12%
Profit before interest, depreciation, prior period adjustments, exceptional items & tax	12,813	12,539	-2%	3,344	3,575	7%
Interest	55	-		-	-	
Profit before depreciation, prior period adjustments, exceptional items & tax	12,758	12,539	-2%	3,344	3,575	7%
Depreciation	958	854	-11%	284	201	-29%
PBT	11,800	11,685	-1%	3,060	3,374	10%
Taxes	4,157	4,246	2%	1,124	1,171	4%
PAT (before minority interest)	7,643	7,439	-3%	1,936	2,203	14%
Operating PBDIT/ Operating Income	29.6%	30.3%		31.0%	37.4%	

One time additional expenses in FY 17: Leave encashment (INR 2.12Cr), Buyback expenses (INR 1.8 Cr), Disinvestment related expenses (INR 4.28 Cr) and Provision of one consultancy project (INR 1.8 Cr)

ICRA GROUP Profit & Loss (Quarterly Performance)



ICRA Group (INR Crores)	PY Q1	PY Q2	PY Q3	PY Q4	CY Q1	CY Q2	CY Q3*	CY Q4
Operating Revenue	77.0	84.6	87.5	92.0	86.7	92.1	75.5	78.8
Comp Expenses	38.1	39.3	41.0	40.4	42.1	43.4	40.7	31.8
Non Comp Expenses	19.9	20.7	17.6	23.0	19.9	19.6	17.2	17.5
Operating margins %	24.7%	29.0%	33.1%	31.0%	28.6%	31.5%	23.3%	37.4%

* Includes 7 days of ICTEAS

ICRA Group: Segment-wise Composition

Revenue Composition	FY 16 Amount	FY 16 %	FY 17 Amount	FY 17 %
Ratings	197.5	57.9%	213.4	64.1%
Consultancy	28.5	8.4%	29.8	8.9%
Outsourced and Information Services	41.9	12.3%	48.4	14.5%
IT related (Sales & Professional)	73.2	21.5%	41.4	12.4%
Total Operating Income	341.2	100.0%	333.0	100.0%

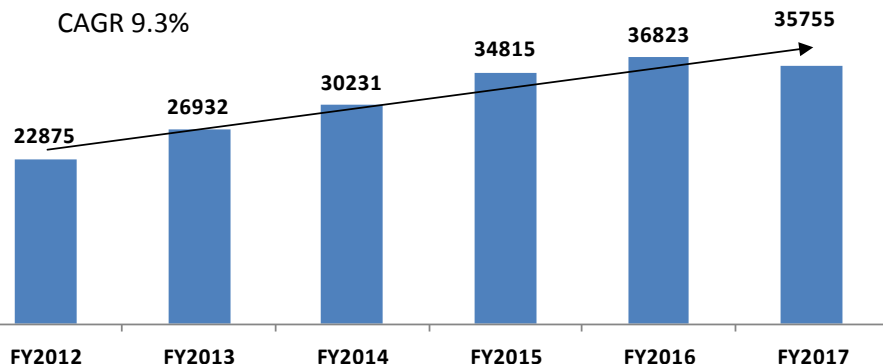
Reported margins absolute (INR Cr)	FY 16 Amount	FY 16 %	FY 17 Amount	FY 17 %
Ratings	77.2	76.4%	83.4	82.6%
Consultancy	2.6	2.6%	(0.5)	-0.5%
Outsourced and Information Services	13.8	13.7%	15.1	15.0%
IT related (Sales & Professional)	7.4	7.3%	2.9	2.9%
Total Segmental Profits (OPBDIT)	101.1	100%	100.9	100%

Reported margins %	FY 16	FY 17
Ratings	39.1%	39.1%
Consultancy	9.1%	-1.6%
Outsourcing and Information	33.0%	31.2%
IT related (Sales & Professional)	10.1%	7.0%
Group Margins%	29.6%	30.3%

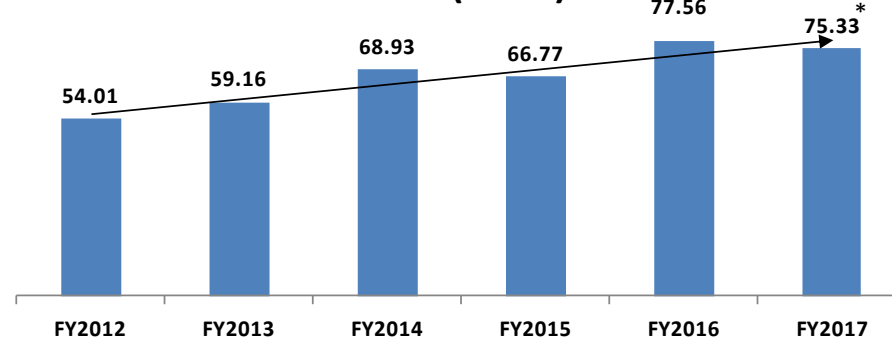
ICRA Group: Performance Over the Years

Total Income (Rs. Lakh)

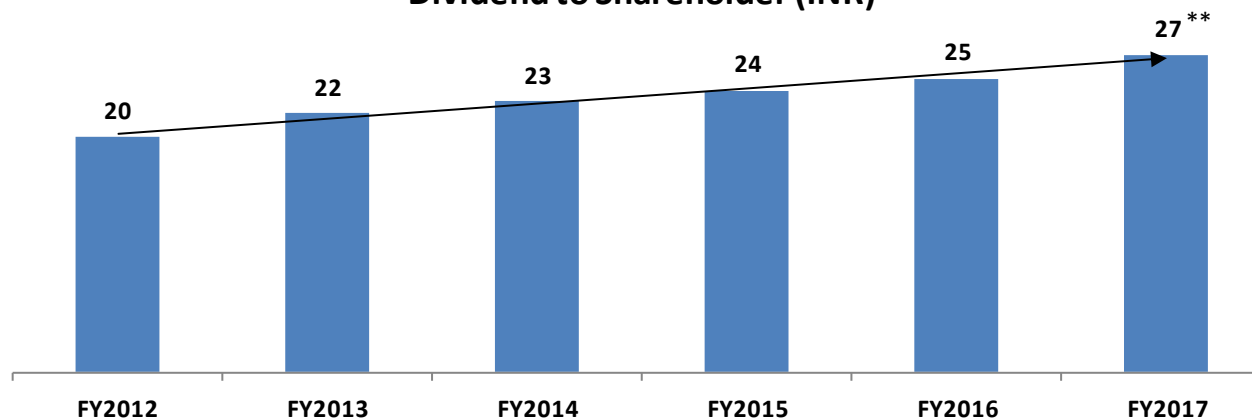
CAGR 9.3%



EPS (Basic)



Dividend to Shareholder (INR)



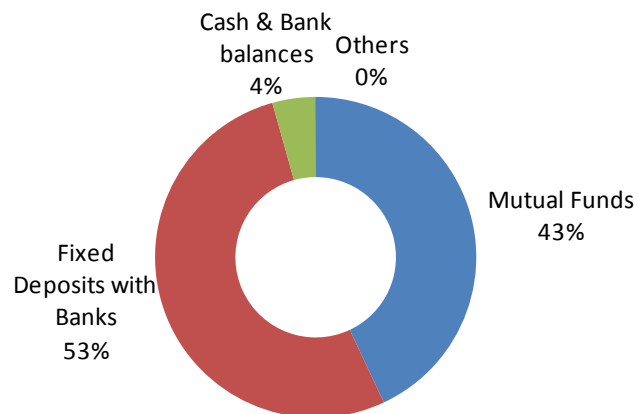
* The moderate decline was mainly due to sale of the IT business

** Subject to shareholder's approval

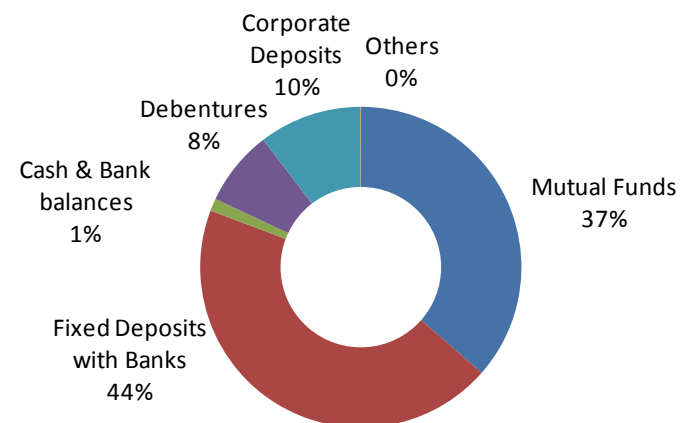
ICRA Group: Investment Portfolio

Investments (Rs. lakh)	2015-16	2016-17
Mutual Funds	18,444	17,594
Fixed Deposits with Banks	22,607	21,368
Cash & Bank balances	1,837	607
Debentures		3,675
Corporate Deposits		4,985
Others	31	31
Total Liquid Investments	42,920	48,260

2015-16



2016-17



ICRA Group: Update on Advisory Services

❑ Operating revenue was higher by 4% in FY17

- Delays in execution and slower growth in fresh business impacted business growth

❑ Operating Margin is negative 1.6% in FY 17, compared to 9.1% in FY 16

- Negative Operating Margin is primarily due to higher provisioning for specific project as per the provisioning policy of the Company

❑ Challenges

- Overall business environment, especially private investment cycle remained subdued

ICRA Group: Update on Outsourcing & Information Services

❑ Overall Revenue growth of 15%

- Revenue from outsourcing services grew primarily on account of growth in existing and new projects both in domestic and global market.

❑ Operating Margin at 31.2% in FY 17, compared to 33% in FY 16

- Operating margin de-grew by 1.8% due to change in compensated absences policy and fixed assets impairment

❑ Challenges

- To expand offerings base to include higher value-added services like analytics

Divestment of ICTEAS

- ❑ The Board of Directors of the Company at its meeting held on August 5, 2016 and the Members of the Company through Postal Ballot, on September 17, 2016, approved sale of the entire shareholding held by the Company in ICRA Techno Analytics Limited ("ICTEAS") (now known as "Nihilent Analytics Limited") to Nihilent Technologies Limited, for a consideration of Rs. 68.75 Crores, comprising (i) payment of cash consideration of Rs. 32.00 Crore; and (ii) unsecured, unrated, 10% interest-bearing and unlisted non-convertible debentures, issued for the balance amount, to be redeemed after one year and fifteen days from the date of allotment i.e. October 7, 2016.
- ❑ The transaction got consummated on October 7, 2016, and as a result, ICTEAS along with its subsidiaries ceased to be subsidiary of the Company.

Buyback of Equity Shares

The Company has bought back 96,720 equity shares at an average price of 4,135.54 per equity share from the open market through stock exchange mechanism, deploying INR.39.99 crore, representing 99.997% of the maximum buyback size of INR 40.00 crore. The buyback was commenced on March 2, 2017 and closed on April 3, 2017.

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