



ICRA

A MOODY'S INVESTORS
SERVICE COMPANY

Analyst Presentation, Q4 FY 18

May 17, 2018

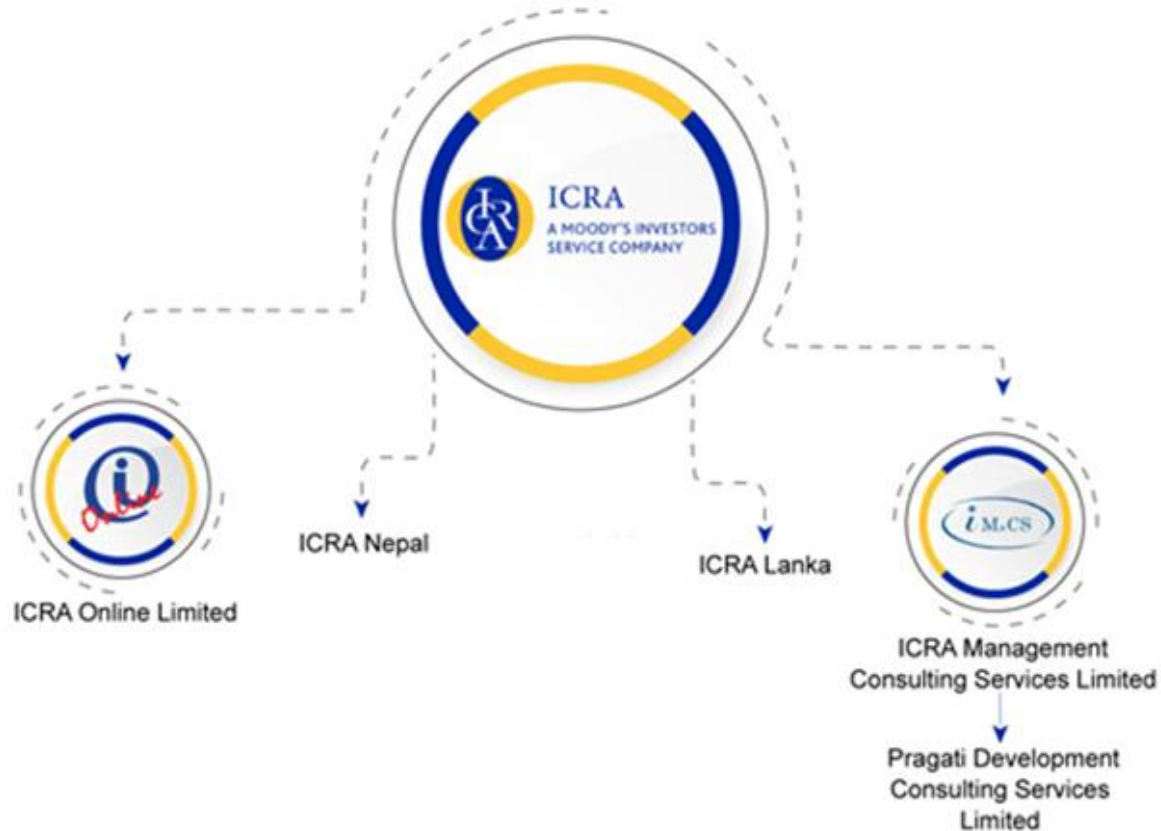


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Business Profile

ICRA Group Structure



ICRA Group Mission

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



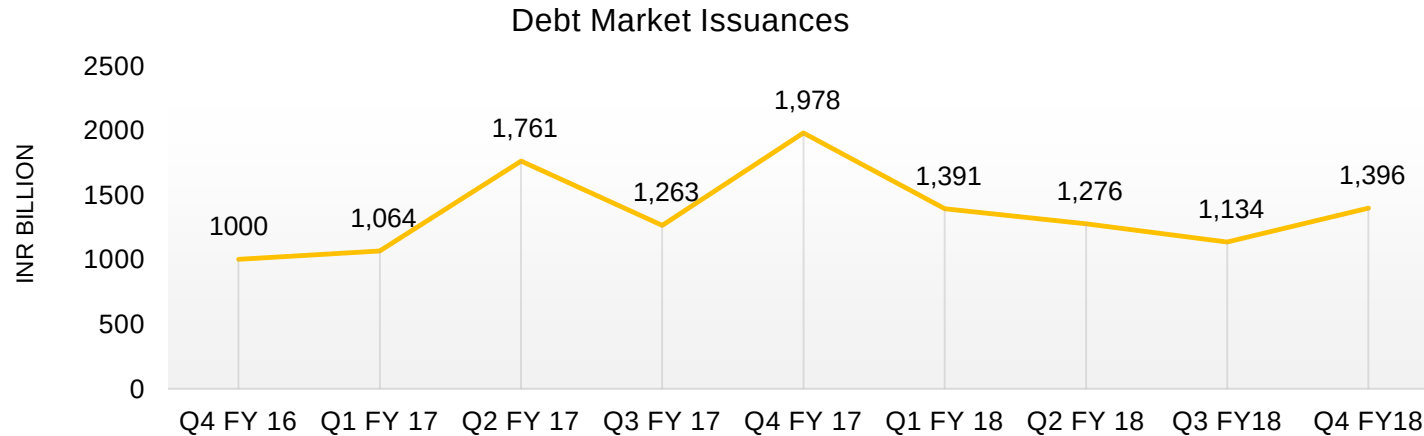
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Performance Review: ICRA Limited

Operating Environment

- Overall bank credit growth continues to be subdued due to lackluster investment demand
- Bond issuances witnessed a Y-o-Y de-growth of 14% due to
 - Hardening of yields
 - Three consecutive quarters of de-growth in issuances
- CP outstanding de-grew 6.4% in FY18



ICRA: Performance Highlights

- While debt issuances de-grew in FY18, ICRA expanded its market share during the year
- Despite sluggish credit growth during FY18, ICRA's acquisition of a few large clients coupled with a focus on identified strategic segments enabled an expansion in market share.
- In FY18, ICRA rated the first collateralised loan obligation (CLO) transaction*. ICRA continued to maintain its position as a thought leader and a dominant credit rating agency (CRA) in the structured finance segment.
- The mandatory requirement for dual rating for Commercial Paper (CP) issuances beyond a certain threshold was a significant opportunity during FY18. ICRA succeeded in garnering a significant share of the incremental demand for CP rating and also added several large corporate to its client list.
- The requirement of Independent Credit Evaluation (ICE) by Credit Rating Agencies (CRAs) for stressed assets that bring up a resolution plan, as required by Reserve Bank of India (RBI) is a significant opportunity.
- ICRA has been able to attain significant visibility in both electronic and print media – it has maintained its leading position in the latter in terms of share of voice through regular releases voicing our opinion on contemporary issues.

*post the 2006 RBI guidelines on securitisation

ICRA: Standalone Financial Highlights

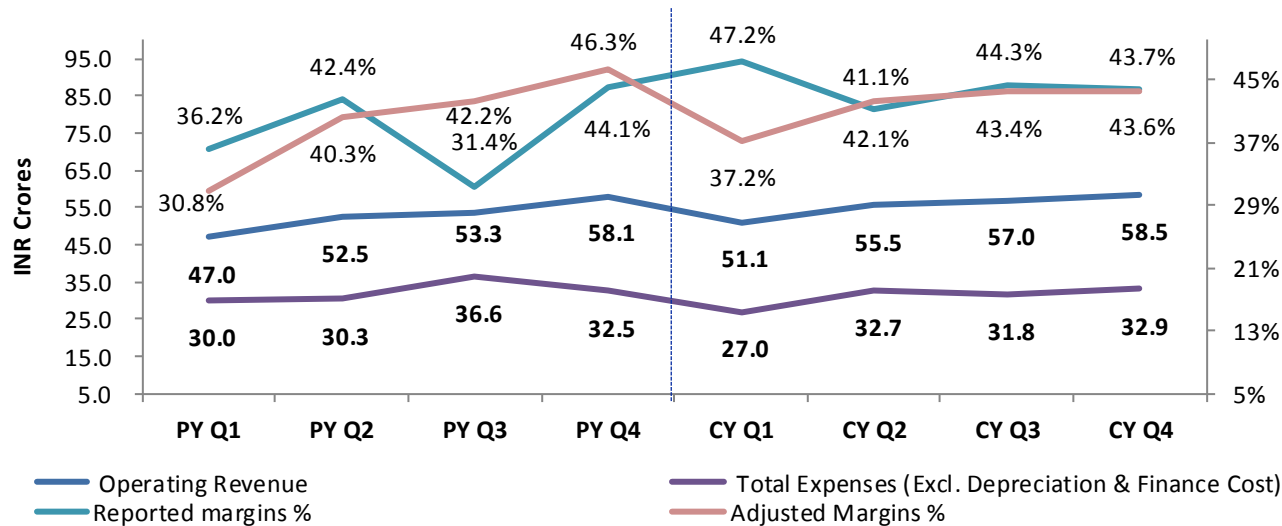
- For the quarter ended March 31, 2018, the company's operating income was Rs 58.5 crore, as against Rs 58 crore in the corresponding quarter of the previous financial year, reflecting a growth of 1% due to de-growth in debt market issuances and sluggish growth in the bank loan ratings.
- The other income in the quarter increased by 61%, as compared to the corresponding quarter of the previous financial year, due to sale of real estate assets.
- PBT for the quarter was at Rs. 40.6 crore, reflecting a growth of 18% against the corresponding quarter of the previous financial year.
- PAT for the quarter was at Rs 27.4 crore, higher by 16% against the corresponding quarter of the previous financial year, owing to growth in other income.
- The Board of Directors has recommended a dividend of Rs 30 per equity share for FY18 (Rs 27 per equity share in FY17). The payment of dividend is subject to approval at the forthcoming Annual General Meeting scheduled on 9 August 2018.
- The Indian Accounting Standard (Ind-AS) have been adopted by the Company from April 1, 2016

ICRA: Standalone Financials

Particulars (Rs. Crore)	Standalone							
	FY 17 Q4	FY 18 Q4	Variance Rs	Variance %	FY 17	FY 18	Variance Rs	Variance %
Income								
Revenue from operations	58.1	58.5	0.4	0.7%	210.9	222.1	11.2	5.3%
Other income	9.7	15.6	5.9	60.6%	48.8	50.7	1.9	3.9%
Total income	67.8	74.1	6.3	9.3%	259.7	272.9	13.1	5.1%
Expenses								
Employee benefits expenses	20.9	25.4	4.5	21.8%	90.8	95.3	4.5	5.0%
Depreciation and amortisation expenses	0.9	0.6	(0.2)	-25.9%	3.2	2.7	(0.5)	-16.9%
Other expenses	11.6	7.5	(4.1)	-35.5%	38.4	29.1	(9.3)	-24.3%
Total expenses	33.4	33.6	0.2	0.6%	132.5	127.1	(5.3)	-4.0%
Profit before exceptional items and tax	34.5	40.6	6.1	17.7%	127.3	145.8	18.5	14.5%
Exceptional items	-	-	-		6.8	-	(6.8)	
Profit before tax	34.5	40.6	6.1	17.7%	134.1	145.8	11.7	8.7%
Total tax expense	10.8	13.2	2.5	22.8%	36.1	45.5	9.4	26.0%
Profit after tax	23.7	27.4	3.7	15.4%	98.0	100.3	2.3	2.3%
Other comprehensive income, net of tax	(0.1)	(0.3)	(0.2)	139.6%	(0.5)	(0.2)	0.3	-54.2%
Profit after other comprehensive income and tax	23.5	27.1	3.6	15.3%	97.5	100.1	2.6	2.6%
Operating margins%	44.1%	43.7%			38.7%	44.0%		
Adjusted margins%*	46.3%	43.6%			39.7%	41.7%		

*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, as well as certain one-time expenses in the previous year

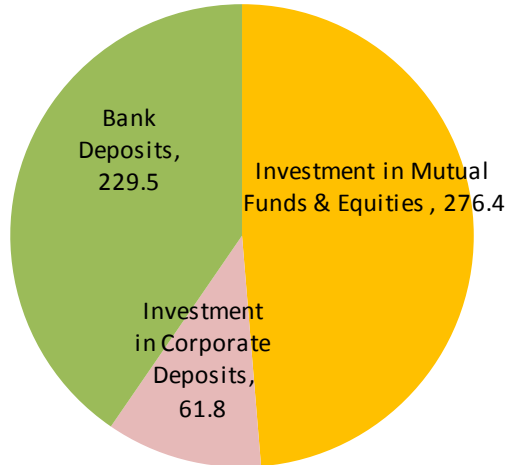
ICRA: Standalone Profit & Loss



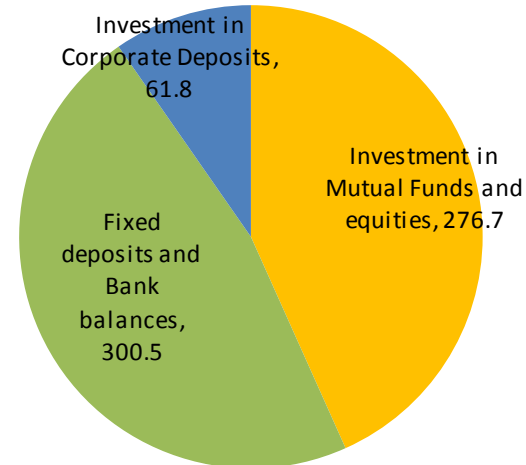
ICRA Ratings (Rs. Crores)	PY Q1	PY Q2	PY Q3	PY Q4	CY Q1	CY Q2	CY Q3	CY Q4
Operating Revenue	47.0	52.5	53.3	58.1	51.1	55.5	57.0	58.5
Total Expenses (Excl. Depreciation & Finance Cost)	30.0	30.3	36.6	32.5	27.0	32.7	31.8	32.9
Reported margins %	36.2%	42.4%	31.4%	44.1%	47.2%	41.1%	44.3%	43.7%
Adjusted Margins %	30.8%	40.3%	42.2%	46.3%	37.2%	42.1%	43.4%	43.6%

ICRA: Investments as on March 31, 2018

ICRA Investments Standalone (Rs 568 Cr)



ICRA Investments Group (Rs 639 Cr)



- Yield of 7.2% (CAGR) on MF, 6.9% on Bank deposits, 6.95% 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

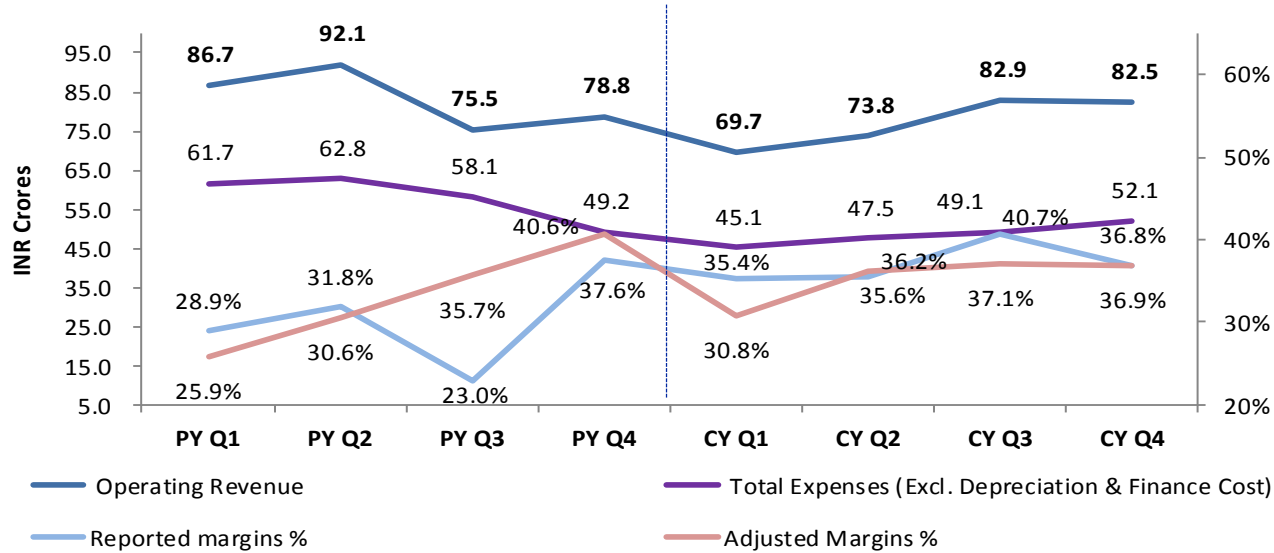
- For the quarter ended March 31, 2018, the consolidated operating income stood at Rs 82.5 crore, against Rs 78.8 crore in the corresponding quarter of the previous financial year, reflecting a growth of nearly 5%.
- PBT for Q4FY18 is reported at Rs 45.5 crore, as against Rs 37.6 crore in the corresponding quarter of the previous year, recording a 21% increase.
- PAT for Q4FY18 stood at Rs 27.5 crores, against Rs 25.6 crores, reflecting a growth of 8%
- At the end of FY18, consolidated operating revenue, at Rs 308.9 crores is 7% lower than the previous fiscal, due to the divestment of ICRA's IT related business in October 2016 and de-growth in revenues of consulting services.
- Consolidated PBT for FY18 at Rs 156.8 crore is 19% higher than the previous fiscal, due to an improvement in operating profits of ratings and outsourced business, as well as higher non-operating revenue.
- Consolidated PAT at Rs 101.2 crore in FY18 is 14% higher than the previous fiscal.

ICRA Group: Consolidated Financials

Particulars (Rs. crores)	ICRA Consolidated							
	FY 17 Q4	FY 18 Q4	Variance Rs	Variance %	FY 17	FY 18	Variance Rs	Variance %
Income								
Revenue from operations	78.8	82.5	3.7	4.7%	333.0	308.9	(24.2)	-7.3%
Other income	10.0	17.2	7.1	71.1%	39.6	49.4	9.8	24.6%
Total income	88.8	99.7	10.8	12.2%	372.6	358.2	(14.4)	-3.9%
Expenses								
Employee benefits expenses	31.5	37.9	6.4	20.4%	156.4	142.5	(13.9)	-8.9%
Depreciation and amortisation expenses	2.0	2.0	(0.0)	-0.5%	8.5	7.5	(1.0)	-11.7%
Other expenses	17.7	14.2	(3.5)	-19.7%	75.4	51.3	(24.1)	-31.9%
Total expenses	51.2	54.1	2.9	5.7%	240.4	201.4	(39.0)	-16.2%
Profit before tax	37.6	45.5	7.9	21.1%	132.3	156.9	24.6	18.6%
Total tax expense	12.0	18.0	6.0	49.9%	43.5	55.6	12.1	27.9%
Profit after tax	25.6	27.5	1.9	7.5%	88.8	101.2	12.5	14.0%
Other comprehensive income, net of income tax	(0.3)	(0.0)	0.3	-84.6%	(0.6)	0.0	0.6	-100.0%
Total comprehensive income, net of income tax	25.3	27.5	2.2	8.6%	88.2	101.2	13.1	14.8%
Minority interest	0.2	-	(0.2)	-100.0%	0.2	-	(0.2)	-100.0%
Net profit after taxes and minority interest	25.1	27.5	2.4	9.5%	88.0	101.2	13.3	15.1%
Operating margins%	37.6%	36.8%			30.4%	37.2%		
Adjusted margins%*	40.6%	36.9%			32.5%	35.7%		

*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, Government incentives pertaining to PY as well as certain one-time expenses in the previous year

ICRA: Group Profit & Loss



ICRA Group (Rs. Crores)	PY Q1	PY Q2	PY Q3	PY Q4	CY Q1	CY Q2	CY Q3	CY Q4
Operating Revenue	86.7	92.1	75.5	78.8	69.7	73.8	82.9	82.5
Total Expenses (Excl. Depreciation & Finance Cost)	61.7	62.8	58.1	49.2	45.1	47.5	49.1	52.1
Reported margins %	28.9%	31.8%	23.0%	37.6%	35.4%	35.6%	40.7%	36.8%
Adjusted Margins %	25.9%	30.6%	35.7%	40.6%	30.8%	36.2%	37.5%	36.9%

ICRA Group: Segment-wise Composition

Revenue Composition	Q4 FY 17 Rs. Cr	FY 17 %	Q4 FY 18 Rs. Cr	FY 18 %
Ratings	58.7	74.5%	59.4	72.0%
Consultancy	7.8	9.9%	5.4	6.6%
Outsourced and Information Services	12.1	15.4%	17.5	21.3%
IT related (Sales & Professional)	0.1	0.2%	0.1	0.1%
Total Operating Income	78.8	100.0%	82.5	100.0%

Reported margins absolute	Q4 FY 17 Rs. Cr	FY 17 %	Q4 FY 18 Rs. Cr	FY 18 %
Ratings	26.0	87.8%	26.3	86.4%
Consultancy	(0.6)	-2.0%	(3.2)	-10.5%
Outsourced and Information Services	3.9	13.2%	7.4	24.4%
IT related (Sales & Professional)	0.3	0.9%	(0.1)	-0.2%
Total Segmental Profits (OPBDIT)	29.6	100.0%	30.4	100%

Revenue Composition	FY 17 Rs. Cr	FY 17 %	FY 18 Rs. Cr	FY 18 %
Ratings	213.4	64.1%	225.8	73.1%
Consultancy	29.8	8.9%	22.3	7.2%
Outsourced and Information Services	48.4	14.5%	60.4	19.6%
IT related (Sales & Professional)	41.4	12.4%	0.4	0.1%
Total Operating Income	333.0	100%	308.9	100%

Reported margins absolute	FY 17 Rs. Cr	FY 17 %	FY 18 Rs. Cr	FY 18 %
Ratings	83.3	82.3%	100.5	87.3%
Consultancy	(0.5)	-0.5%	(8.0)	-6.9%
Outsourced and Information Services	15.4	15.2%	22.8	19.8%
IT related (Sales & Professional)	3.1	3.0%	(0.2)	-0.2%
Total Segmental Profits (OPBDIT)	101.3	100%	115.1	100%

Consulting Services

- Operating Revenue is 25% lower in FY18 (YoY) due to de-emphasis of certain non strategic segments.
- Operating profit was negative in FY18, primarily due to higher provisions on doubtful debts, as well as impairment of certain intangible assets.

Outsourcing and Information Services

- Operating revenue (excluding SEIS & employment generation incentive) recorded a growth of 7% (YoY) in FY18, driven by growth in domestic and global markets. Revenue growth is impacted by Rupee appreciation, compared to the corresponding quarter of the previous year, while the SEIS & employment generation incentive of Rs 8.47 crore* provided a fillip through other operating income.
- Year-on-year, operating margin is lower due to the adverse impact of Rupee appreciation.

*Rs 2.22 cr pertains to FY18 and balance Rs 3.86 cr pertains to FY16 and FY17 for SEIS incentive; Employment generation subsidy by state government of Rs 0.51 cr pertains to FY18, Rs 1.88 cr for FY14 to FY17 .

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