



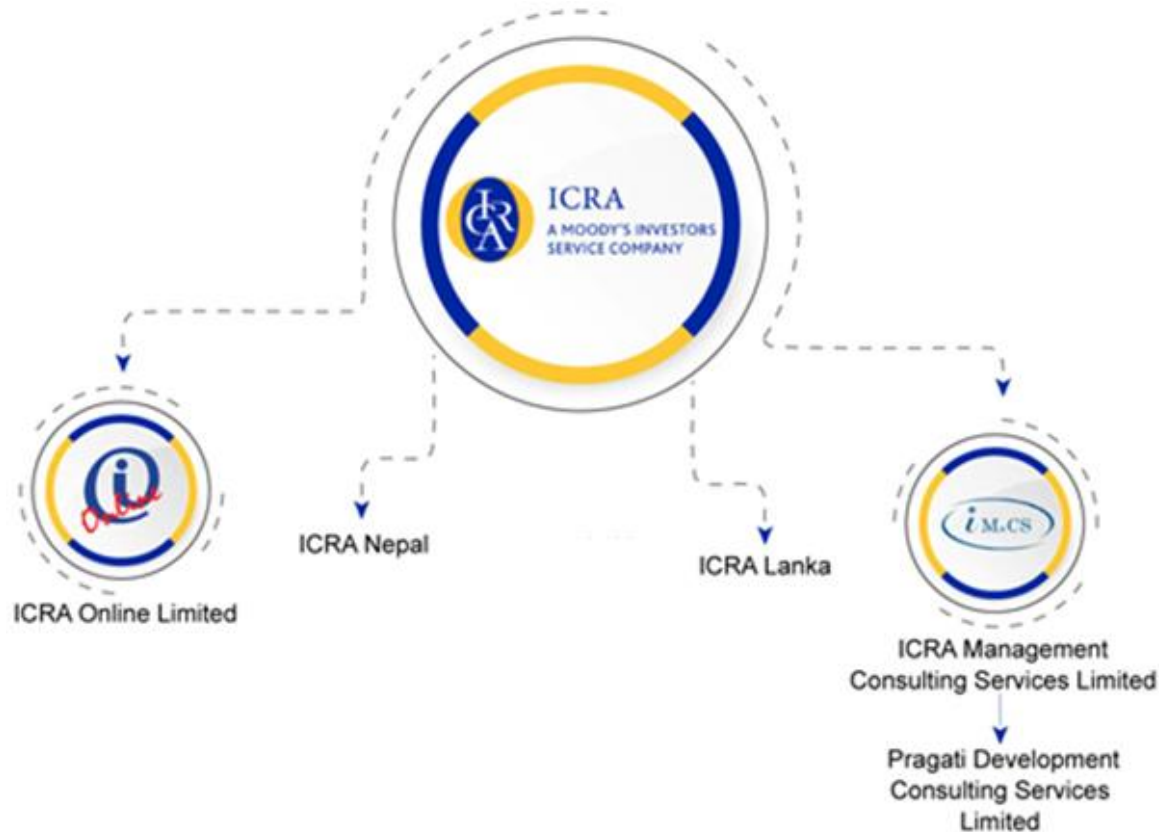
ICRA

A MOODY'S INVESTORS
SERVICE COMPANY

Investor Presentation, Q4 FY19

May 09, 2019

ICRA Group Structure





ICRA

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SERVICE COMPANY

Performance Review: ICRA Limited

- Bank credit outstanding witnessed 13% growth y-o-y in FY19, driven by Non Banking Financial Companies (NBFCs) and the retail segment.
- Bond issuances witnessed strong growth of ~30% y-o-y in FY19 , driven by an increase in GOI serviced bonds, as well as substitution of short term debt with long term bonds by NBFCs. Simultaneously, commercial paper outstanding de-grew in Q4FY19.
- Structured Finance volumes continued to grow strongly at ~140% in y-o-y in FY19, as an alternative funding source for NBFCs facing liquidity constraints.

ICRA Standalone: Financial Highlights

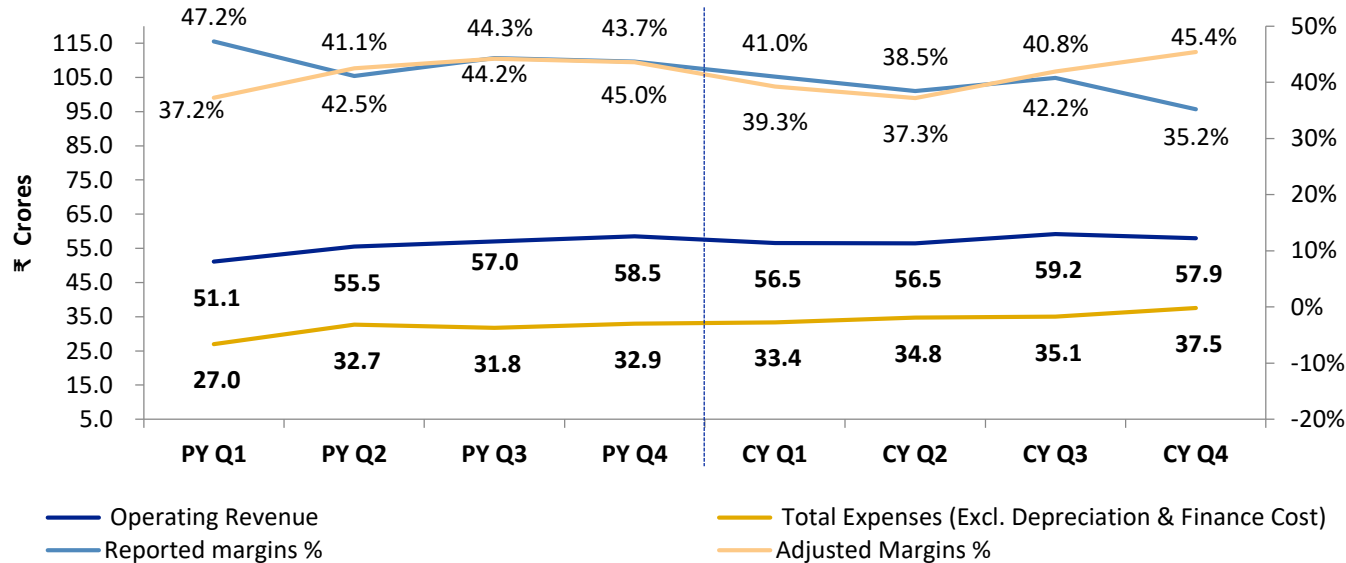
- For the quarter ended March 31, 2019 the Company's operating income was ₹57.9 crore, as against ₹58.5 crore in the corresponding quarter of the previous financial year, reflecting a de-growth of 1%. Bank loan ratings have shown some growth during the quarter, whereas the debt market segment remained subdued.
- The other income in the quarter decreased by 35.5% compared to corresponding quarter of the previous financial year, mainly due to impact of profit on sale of certain real estate assets in the corresponding quarter of previous financial year.
- PBT for the quarter was ₹29.3 crore, reflecting a de-growth of 27.7%, against the corresponding quarter of the previous financial year, mainly due to higher legal & professional charges and other provisioning.
- PAT for the quarter was ₹20.3 crore, 26% lower than the corresponding quarter in previous year, mainly due to lower income and higher expenses.
- The applicable base tax rate effective from FY 2018-19 is 25%, compared to 30% till March 2018.
- The Board of Directors of the Company has recommended a dividend of ₹30 per equity share for the financial year ended March 31, 2019 (same as the previous year). The payment is subject to approval by the members at the forthcoming Annual General Meeting.

ICRA Standalone: Financial Highlights

Particulars (Rs. Crore)	Standalone					
	FY 18 Q4	FY 19 Q4	Variance %	FY 18	FY 19	Variance %
Income						
Revenue from operations	58.5	57.9	-1.0%	222.1	230.1	3.6%
Other income	15.6	10.1	-35.5%	50.7	44.5	-12.2%
Total income	74.1	68.0	-8.2%	272.9	274.7	0.7%
Expenses						
Employee benefits expenses	25.4	25.3	-0.4%	95.3	107.0	12.2%
Finance costs	0.0	0.4		0.0	0.5	
Depreciation and amortisation expenses	0.6	0.7	16.6%	2.7	2.4	-8.4%
Other expenses	7.5	12.2	62.8%	29.0	33.7	16.2%
Total expenses	33.5	38.7	15.4%	127.0	143.6	12.7%
Profit before tax	40.6	29.3	-27.7%	145.8	131.1	-9.8%
Total tax expense	13.2	9.0	-31.4%	45.5	35.1	-22.9%
Profit after tax	27.4	20.3	-26.0%	100.3	96.0	-3.9%
Other comprehensive income, net of income tax	(0.3)	0.0		(0.2)	(0.2)	
Total comprehensive income	27.1	20.3	-25.1%	100.1	95.7	-4.4%
Operating margins%	43.7%	35.2%		44.0%	38.7%	
Adjusted margins%*	45.0%	45.4%		42.5%	41.1%	

* Adjustments mainly pertain to (i) impact of Ind AS115 (ii) change in accounting practice for provision of doubtful debts (iii) reversal of provisions on account of variable compensation (iv) corporate actions and (v) certain one-time expenses.

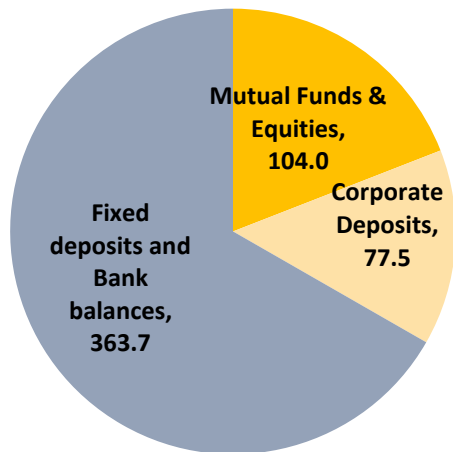
ICRA Standalone: Quarterly Performance



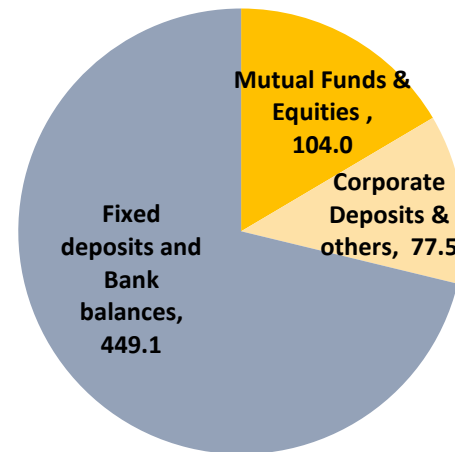
ICRA Ratings (₹ Crores)	PY Q1	PY Q2	PY Q3	PY Q4	CY Q1	CY Q2	CY Q3	CY Q4
Operating Revenue	51.1	55.5	57.0	58.5	56.5	56.5	59.2	57.9
Total Expenses (Excl. Depreciation & Finance Cost)	27.0	32.7	31.8	32.9	33.4	34.8	35.1	37.5
Reported margins %	47.2%	41.1%	44.3%	43.7%	41.0%	38.5%	40.8%	35.2%
Adjusted Margins %	37.2%	42.5%	44.2%	45.0%	39.3%	37.3%	42.2%	45.4%

ICRA: Investments as on March 31, 2019

ICRA Investments Standalone (₹ 545.2 Cr)



ICRA Investments Group (₹ 630.6 Cr)



- Yield of 7.71% (CAGR) on MF, 7.29 % 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

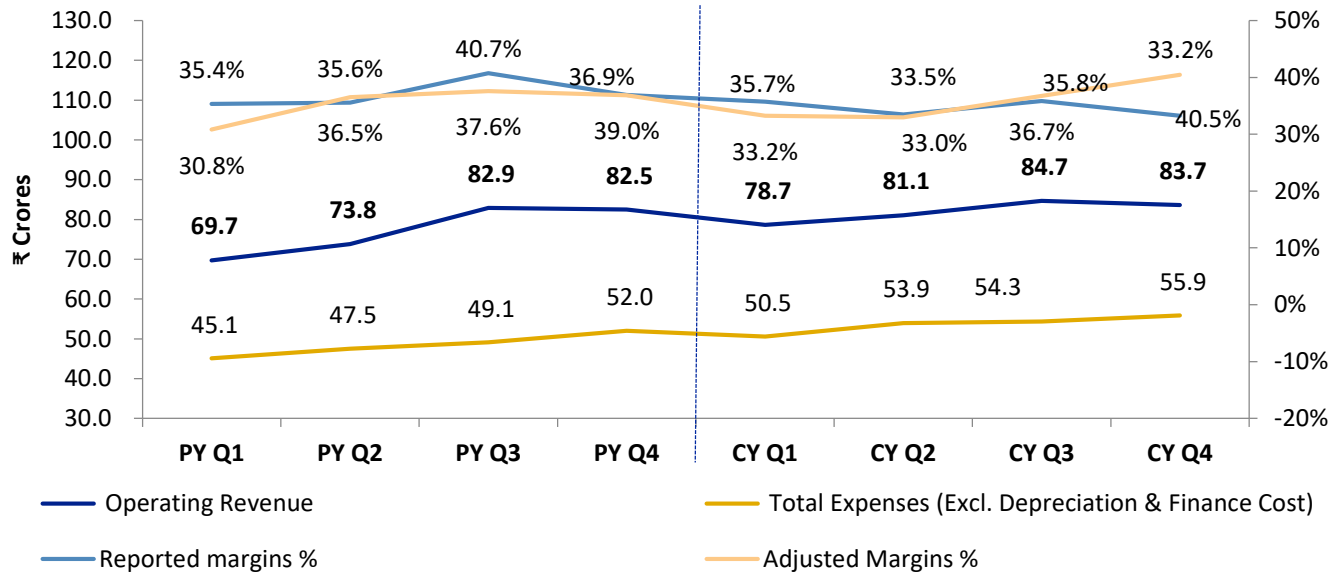
- For the quarter ended March 31, 2019, consolidated operating income was ₹ 83.7 crore, as against ₹ 82.5 crore in the corresponding quarter of the previous financial year, reflecting a growth of 1.4%.
- The other income in the quarter decreased by 32.2% as compared to corresponding quarter of the previous financial year.
- PBT for the quarter was lower by 18.1% at ₹ 37.3 crore, as against ₹ 45.5 crore in the corresponding quarter.
- PAT for the quarter was lower by 5.3% at ₹ 26.1 crore, as against ₹27.6 crore in the corresponding quarter of the previous financial year.

ICRA Group: Consolidated Financials

Particulars (Rs. crores)	ICRA Consolidated					
	FY 18 Q4	FY 19 Q4	Variance %	FY 18	FY 19	Variance %
Income						
Revenue from operations	82.5	83.7	1.4%	308.9	328.1	6.2%
Other income	17.2	11.6	-32.2%	49.4	44.8	-9.2%
Total income	99.7	95.3	-4.4%	358.2	372.9	4.1%
Expenses						
Employee benefits expenses	37.9	39.4	4.0%	142.5	160.4	12.5%
Finance costs	0.1	0.5		0.1	0.5	
Depreciation and amortisation expenses	2.0	1.6	-18.4%	7.5	5.6	-25.3%
Other expenses	14.1	16.5	16.5%	51.3	54.3	6.0%
Total expenses	54.1	58.0	7.1%	201.4	220.8	9.6%
Profit before tax	45.5	37.3	-18.1%	156.8	152.0	-3.0%
Total tax expenses	18.0	11.2	-37.6%	55.6	47.5	-14.7%
Profit after tax	27.6	26.1	-5.3%	101.2	104.6	3.4%
Other comprehensive income, net of income tax	(0.0)	0.1		0.0	(0.4)	
Total comprehensive income	27.5	26.2	-4.6%	101.2	104.2	2.9%
Minority interest	0.1	0.3	92.3%	0.5	0.5	8.0%
Net profit after taxes and minority interest	27.4	26.0	-5.1%	100.7	103.6	2.9%
Operating margins%	36.9%	33.2%		37.3%	34.6%	
Adjusted margins%*	39.0%	40.5%		36.3%	35.9%	

* Adjustments mainly pertain to (i) impact of Ind AS115 (ii) change in accounting practice for provision of doubtful debts (iii) reversal of provisions on account of variable compensation (iv) higher provision and cost over-runs on legacy contracts (v) Export incentives (vi) corporate actions and (vii) certain one time expenses

ICRA Group: Quarterly Performance



ICRA Group (₹ Crores)	PY Q1	PY Q2	PY Q3	PY Q4	CY Q1	CY Q2	CY Q3	CY Q4
Operating Revenue	69.7	73.8	82.9	82.5	78.7	81.1	84.7	83.7
Total Expenses (Excl. Depreciation & Finance Cost)	45.1	47.5	49.1	52.0	50.5	53.9	54.3	55.9
Reported margins %	35.4%	35.6%	40.7%	36.9%	35.7%	33.5%	35.8%	33.2%
Adjusted Margins %	30.8%	36.5%	37.6%	39.0%	33.2%	33.0%	36.7%	40.5%

ICRA Group: Segment-wise Composition

Revenue Composition (Adjusted)	Q4 FY 18 Rs. Cr	FY 18 %	Q4 FY 19 Rs. Cr	FY 19 %
Ratings	59.9	72.1%	60.4	72.2%
Consultancy	6.3	7.6%	4.9	5.8%
Outsourced and Information Services	16.9	20.3%	18.3	21.9%
Total Operating Income	83.0	100.0%	83.6	100.0%

Operating Profit (Adjusted)	Q4 FY 18 Rs. Cr	FY 18 %	Q4 FY 19 Rs. Cr	FY 19 %
Ratings	27.2	84.1%	27.7	81.9%
Consultancy	(1.5)	-4.7%	(0.1)	-0.3%
Outsourced and Information Services	6.7	20.6%	6.2	18.5%
Total Segmental Profits (OPBDIT)	32.4	100.0%	33.8	100%

Revenue Composition (Adjusted)	FY 18 Rs. Cr	FY 18 %	FY 19 Rs. Cr	FY 19 %
Ratings	229.8	74.7%	235.9	72.6%
Consultancy	23.2	7.5%	19.0	5.8%
Outsourced and Information Services	54.7	17.8%	70.2	21.6%
Total Operating Income	307.7	100%	325.1	100%

Operating Profit (Adjusted)	FY 18 Rs. Cr	FY 18 %	FY 19 Rs. Cr	FY 19 %
Ratings	98.8	88.5%	97.8	83.7%
Consultancy	(4.1)	-3.6%	(4.4)	-3.8%
Outsourced and Information Services	16.8	15.1%	23.4	20.1%
Total Segmental Profits (OPBDIT)	111.6	100%	116.8	100%

Consulting Services

- The revenue growth in consulting business has been adversely impacted because of few legacy contracts and de-emphasis of certain business segments. However, various cost control measures have led to reduction in losses.

Outsourcing and Information Services

- Operating revenue in the outsourcing and information services segment recorded a growth of 26.8% on a standalone basis (excluding export incentive and other subsidy) 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, involved in consulting services, with and into ICRA Online Limited, which is involved in outsourcing and information services, subject to requisite approvals. The National Company Law Tribunal is yet to approve the scheme of amalgamation filed in September 2018.

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