



# **ICRA Limited**

**Analysts Presentation, H1 2014-15  
November 2014**

# Performance Review: ICRA Limited

# Rating Business: Performance Drivers Update

- Early signs of pick-up in economic activity, though not broad based
- Pick up in Debt Markets & CP issuance with easing of yields.
  - Debt Market issuance up by ~18% y-o-y during H1
- Slowdown in systemic H1 Bank Credit growth ~11%.
- Moderate improvement in ICRA's market share in some segments
- Competitive intensity remains high

# ICRA - Standalone Financials

Revenues (Rs. lakh)	FY14	FY15	Gr %	FY14	FY15	Gr %
	H1	H1		Q2	Q2	
<b>Operating Income</b>	<b>7,075</b>	<b>8,151</b>	<b>15%</b>	<b>3,863</b>	<b>4,394</b>	<b>14%</b>
Other Income	1,321	1,960	48%	391	722	85%
<b>Total Income</b>	<b>8,396</b>	<b>10,111</b>	<b>20%</b>	<b>4,254</b>	<b>5,116</b>	<b>20%</b>
Personnel Expenses	3,309	3,601	9%	1,711	1,819	6%
Administrative Expenses	542	581	7%	277	292	5%
Other Expenses	825	945	15%	452	520	15%
<b>Total Expenses</b>	<b>4,676</b>	<b>5,127</b>	<b>10%</b>	<b>2,440</b>	<b>2,631</b>	<b>8%</b>
<b>PBDT</b>	<b>3,720</b>	<b>4,984</b>	<b>34%</b>	<b>1,814</b>	<b>2,485</b>	<b>37%</b>
Depreciation	114	173	52%	59	115	95%
<b>PBT (Before Prior Period Adjustments)</b>	<b>3,606</b>	<b>4,811</b>	<b>33%</b>	<b>1,755</b>	<b>2,370</b>	<b>35%</b>
Prior Period Adjustments	0	765		0	679	
<b>PBT</b>	<b>3,606</b>	<b>4,046</b>	<b>12%</b>	<b>1,755</b>	<b>1,691</b>	<b>-4%</b>
Taxes	849	1,007	19%	518	592	14%
<b>PAT (Reported)</b>	<b>2,757</b>	<b>3,039</b>	<b>10%</b>	<b>1,237</b>	<b>1,099</b>	<b>-11%</b>
Operating Profits (PBDIT)	2,801	2,938	5%	1,653	1,541	-7%
<b>Operating Profits (PBDIT) *</b>	<b>2,906</b>	<b>3,510</b>	<b>21%</b>	<b>1,708</b>	<b>2,113</b>	<b>24%</b>
<b>Key Ratios</b>						
PBDIT/Total Income *	46%	49%		44%	49%	
Operating PBDIT/Operating Income *	41%	43%		44%	48%	
Tax/PBT	24%	25%		30%	35%	

\* Excluding prior period adjustments and ESOS amortization

# ICRA: Accounting Policy and Prior Period Adjustments

- Changes in Accounting Policy covering
  - Revenue Recognition: The Company adjusted its revenue recognition policy to record a proportion of initial rating fees over the 11 months subsequent to the month in which the rating was awarded. Surveillance fees are accounted for on a time proportion basis
  - Booking of Rent Equalization: The Company to follow the practice of Rent Equalization on a straight line basis
  - Provision for expenses on Ordinary Leaves extended to cover Casual Leaves
- **Prior Period Adjustments during H1FY15**

Particulars	Negative Impact on PBT (Rs. Lakh)	
	Standalone	Consolidated
Revenue Recognition	571.95	571.95
Booking of Rent Equalization	155.79	155.79
Provision for expenses on casual leaves outstanding	37.08	168.89
<b>Total</b>	<b>764.82</b>	<b>896.63</b>

# Performance Review: ICRA Group

# ICRA Group: H1FY15 Financial Highlights

- H1FY15 Consolidated Group Operating Income grew by 14% (PY: 13%)
- Non Operating Income up by 31% primarily due to maturity of FMP investments.
- Consolidated Group Net Profit down 24% (PY: 46% growth) attributed mainly to the accounting policy changes and booking of impairment of goodwill value in one of the subsidiary companies
  - Without these factors, PAT for H1FY15 is higher by Rs 1005 lakh, reflecting 7% growth over the corresponding period of previous financial year
- Reported EPS of Rs. 25.18 (PY: Rs. 32.15)
- EPS\* of Rs. 31.22 (PY: Rs. 32.93)
  - \* *Excluding prior period adjustments and ESOS amortization*

# Group ICRA - Consolidated Financials

Revenues (Rs. lakh)	FY14	FY15	Gr %	FY14	FY15	Gr %
	H1	H1		Q2	Q2	
Ratings	7,128	8,241	16%	3,885	4,435	14%
Consultancy	1,169	1,303	11%	648	677	4%
Outsourced and Inform. Services	1,279	1,520	19%	671	799	19%
IT related (Sales & Professional)	3,270	3,520	8%	1,798	1,766	-2%
<b>Total Operating Income</b>	<b>12,846</b>	<b>14,584</b>	<b>14%</b>	<b>7,002</b>	<b>7,677</b>	<b>10%</b>
Other Income	1,577	2,059	31%	499	782	57%
<b>Total Income</b>	<b>14,423</b>	<b>16,643</b>	<b>15%</b>	<b>7,501</b>	<b>8,459</b>	<b>13%</b>
<b>PBDT</b>	<b>4,641</b>	<b>5,716</b>	<b>23%</b>	<b>2,399</b>	<b>2,698</b>	<b>12%</b>
Depreciation	238	456	92%	124	273	120%
<b>PBT (Before Prior Period Adjustments)</b>	<b>4,403</b>	<b>5,260</b>	<b>19%</b>	<b>2,275</b>	<b>2,425</b>	<b>7%</b>
Prior Period Adjustments	0	897		0	811	
Exceptional items	0	413		0	413	
<b>PBT</b>	<b>4,403</b>	<b>3,950</b>	<b>-10%</b>	<b>2,275</b>	<b>1,201</b>	<b>-47%</b>
Taxes	1,157	1,485	28%	698	920	32%
<b>PAT (Reported)</b>	<b>3,246</b>	<b>2,465</b>	<b>-24%</b>	<b>1,577</b>	<b>281</b>	<b>-82%</b>
<b>PAT *</b>	<b>3,325</b>	<b>3,057</b>	<b>-8%</b>	<b>1,618</b>	<b>816</b>	<b>-50%</b>

\* Excluding prior period adjustments and ESOS amortization



# Group ICRA - Segment-wise contribution

Particulars	FY14	FY15	Gr %
	H1	H1	
<b>Segment-wise Profits (PBDIT) (Rs. Lakh)</b>			
Ratings	2,913	3,506	20%
Consultancy	(83)	118	242%
Outsourced and Inform. Services	292	385	32%
IT related (Sales & Professional)	547	300	-45%
<b>Total Segmental Profits</b>	<b>3,669</b>	<b>4,309</b>	<b>17%</b>
<b>Segment-wise PBDIT margins</b>			
Ratings margins	41%	43%	
Consulting margins	-7%	9%	
Outsourced and Inform. margins	23%	25%	
IT margins	17%	9%	

\* Note: All figures above are excluding prior period adjustments and ESOS amortization

# Group ICRA - Segment-wise contribution

Details	FY14	FY15
	H1	H1
<b>Revenue Contribution</b>		
Ratings	55%	57%
Consultancy	9%	9%
Outsourced and Inform. Services	10%	10%
IT related (Sales & Professional)	25%	24%
<b>Total Operating Income</b>	<b>100%</b>	<b>100%</b>
<b>Segment-wise PBDIT contribution</b>		
Ratings	79%	81%
Consultancy	-2%	3%
Outsourced and Inform. Services	8%	9%
IT related (Sales & Professional)	15%	7%
<b>Total PBDIT</b>	<b>100%</b>	<b>100%</b>

\* Note: All figures above are excluding prior period adjustments and ESOS amortization

# ICRA Group: Business Update (1)

## Advisory Services

- Revenue up by 11% in H1FY15 [PY revenue growth (-)2%]
  - Macro-economic conditions still sluggish; business uncertainty still curbing clients' spending on - consulting, although situation better than past few quarters back
  - Pricing pressure in consulting industry still continues due to excess consulting capacity in India
- New business wins have shown increase in H1
  - Segments that have shown growth include Banking & Financial Services, Transportation, and Urban Infrastructure
- Profits (EBITDA) increased significantly vis-à-vis previous fiscal (PY profitability was low due to recessionary conditions) with improved op margin of 9% in H1FY15
  - Increase in share of higher value consulting projects in overall business mix
  - Tight management of operating expenditure

# ICRA Group: Business Update (2)

## Outsourcing & Information Services

- Revenue grew 19% in H1FY15 compared to 21% in H1FY14
- Margins improved from 23% to 25%
  - Operating efficiency and higher-value projects primarily responsible for these gains
- Challenge
  - To expand global client base
- Outlook
  - Market for outsourcing services for data, research and analytics remains attractive

# ICRA Group: Business Update (3)

## IT Software Services (Consolidated)

- Operating Revenue increased 8% in H1FY15 (PY: 23%)
  - Rise in average dollar conversion rate from Rs. 60.18 to Rs. 61.86 contributed ~3% to growth
  - Growth attributable mainly to new projects from existing customers besides addition of new customers
- PBDIT declined from Rs. 5.47 crore in H1FY14 to Rs. 3.0 crore in H1FY15 due to cost increase and accounting write offs
- Goodwill impairment loss of Rs. 4.13 crore recorded in relation to BPA Technologies Inc. owing to market and economic developments
- Challenges
  - To acquire new customers in the face of competition from large IT service providers
  - Talent acquisition and retention

## ***Disclaimer***

This Analyst Presentation may contain 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.