



ICRA Limited

Analyst Presentation, Q2 FY17
3rd November' 2016

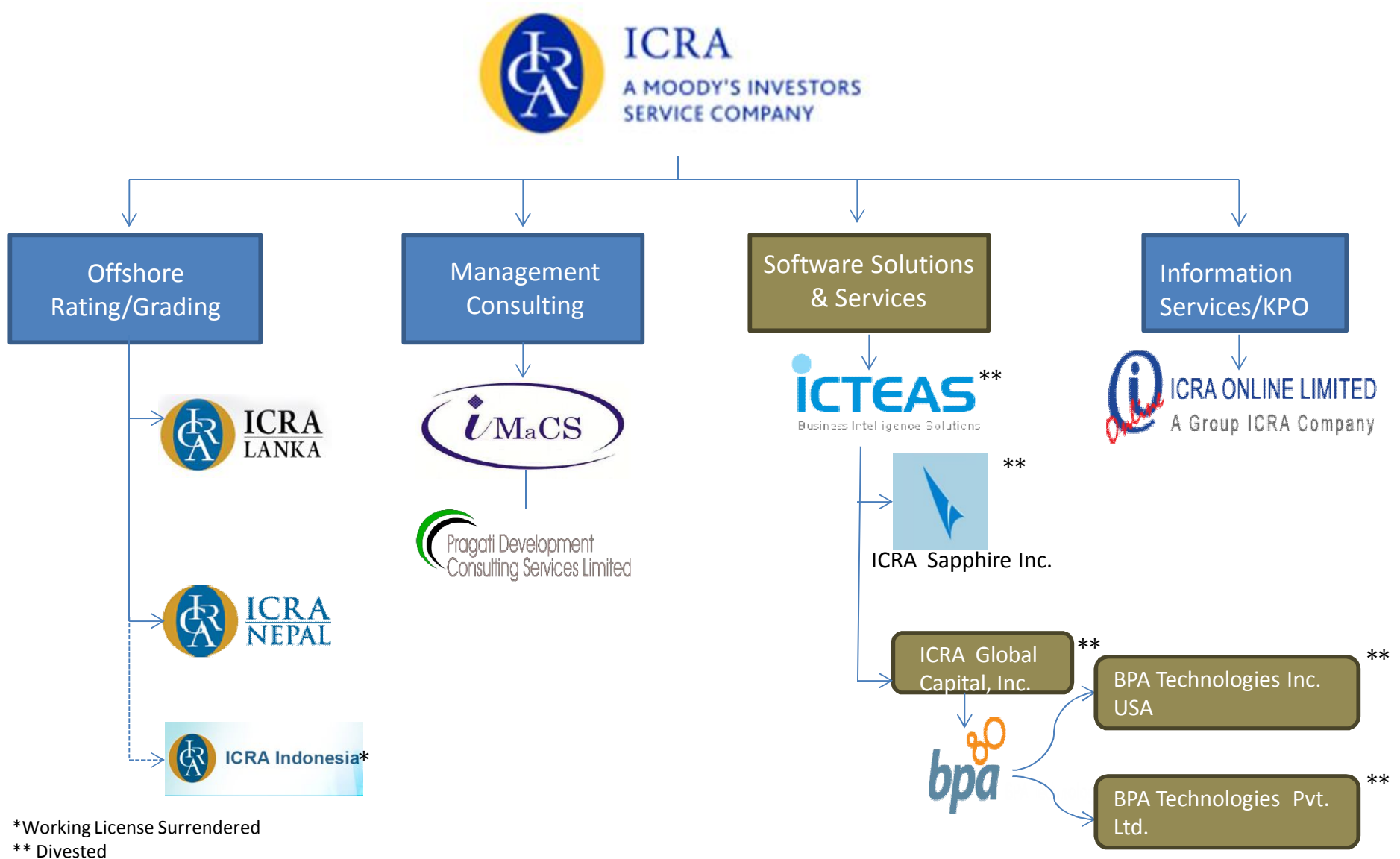


Table of Contents

- 1. Business Profile**
- 2. Performance Review: ICRA Limited**
- 3. Performance Review: ICRA Group**

Business Profile

ICRA Group Structure



About ICRA

- ❑ ICRA Limited was set up in 1991 as a full-service Credit Rating Agency by leading Indian financial/investment institutions, commercial banks and financial services companies as an independent and professional investment information and credit rating agency
- ❑ ICRA shares are listed on the BSE and the National Stock Exchange. ICRA is majority-held by Moody's Group, which has 50.06% equity ownership stake in the Company
- ❑ Through its subsidiaries, ICRA offers consulting and outsourcing services.
- ❑ ICRA provides rating services through its wholly owned subsidiary in Sri Lanka and through its majority owned subsidiary rating services in Nepal.

Performance Review: ICRA Limited

ICRA Standalone: Financial Highlights Q2 FY17 Vs Q2 FY16

- ❑ For the quarter ended September 30, 2016, the Company's operating income was INR 52.51 Crore, as against INR 48.80 Crore in the corresponding quarter of the previous financial year, reflecting a growth of 8%. The growth is primarily attributable to increase in debt market and structured finance related ratings.
- ❑ The other income in the current quarter is lower than the corresponding quarter, due to lower redemption of mutual funds
- ❑ PBT (before exceptional item) for the quarter was at INR 28.06 Crore, reflecting a growth of 2%, against the corresponding quarter of the previous financial year.
- ❑ PAT for the quarter was at INR 19.15 Crore and it was marginally higher against the corresponding quarter

ICRA Standalone: Financial Highlights H1 FY17 Vs H1 FY16

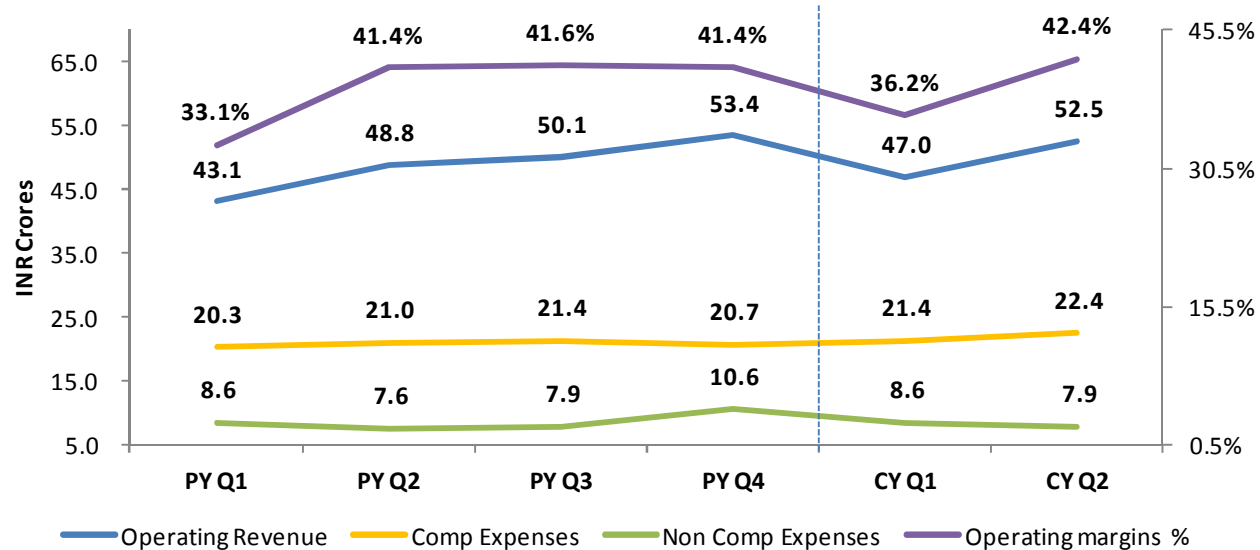
- ❑ For the half year ended September 30, 2016, the Company's operating income was INR 99.49 Crore, as against INR 91.89 Crore in the corresponding period of the previous financial year, reflecting a growth of 8%
- ❑ PBT (before exceptional item) for the half year ended was INR 58.04 Crore, reflecting a growth of 19% over corresponding period of the previous financial year, mainly due to higher other income on account of dividend from subsidiary

ICRA: Standalone Financials

Revenues (INR Lakh)	FY16	FY17	Growth	FY16	FY17	Growth
	H1	H1	%	Q2	Q2	%
Operating Income	9,189	9,949	8%	4,880	5,251	8%
Other Income	1,581	2,030	28%	809	661	-18%
Total Income	10,770	11,979	11%	5,689	5,912	4%
Personnel Expenses	4,124	4,377	6%	2,099	2,238	7%
Other Expenses	1,619	1,645	2%	763	788	3%
Total Expenses	5,743	6,022	5%	2,862	3,026	6%
Profit before depreciation, prior period adjustments, exceptional items & tax	5,027	5,957	19%	2,827	2,886	2%
Depreciation	160	153	-4%	83	80	-4%
Profit before exceptional items & tax	4,867	5,804	19%	2,744	2,806	2%
Exceptional items*	345			21		
PBT	4,522	5,804	28%	2,723	2,806	3%
Taxes	1,551	1,595	3%	812	891	10%
PAT	2,971	4,209	42%	1,911	1,915	0%
Operating Profits (PBDIT)	3,446	3,927	14%	2,018	2,225	10%
Key Ratios						
PBT (before exceptional items)/Total Income	45.2%	48.5%		48.2%	47.5%	
Operating PBDIT/Operating Income	37.5%	39.5%		41.4%	42.4%	
Tax/PBT	34.3%	27.5%		29.8%	31.8%	

* Exceptional item in FY16 represents Impairment of investment in PT ICRA Indonesia

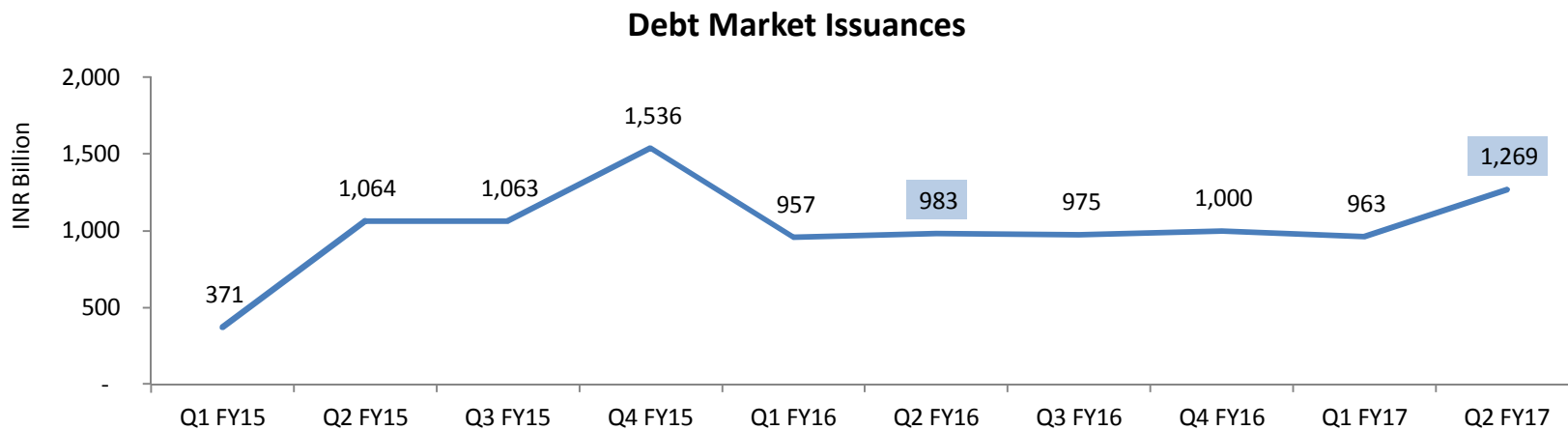
ICRA Standalone Profit & Loss (Quarterly Performance)



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

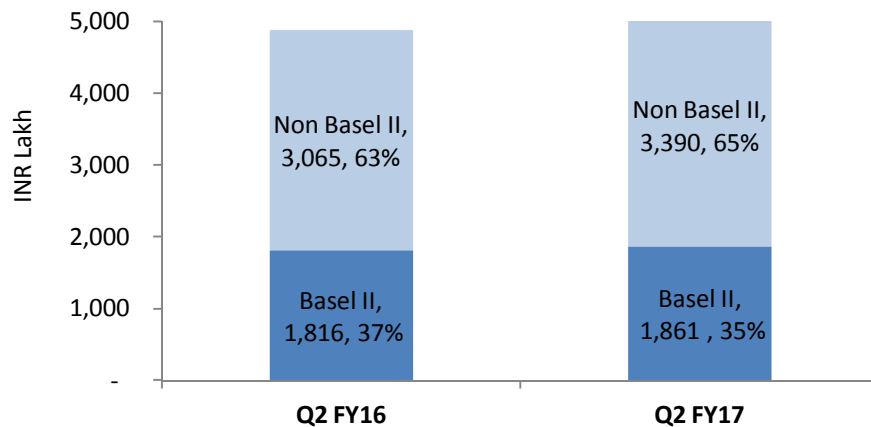
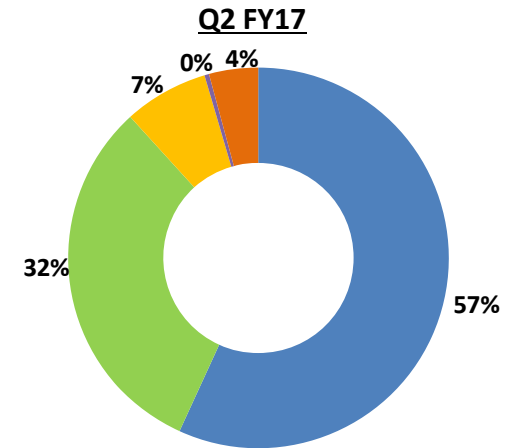
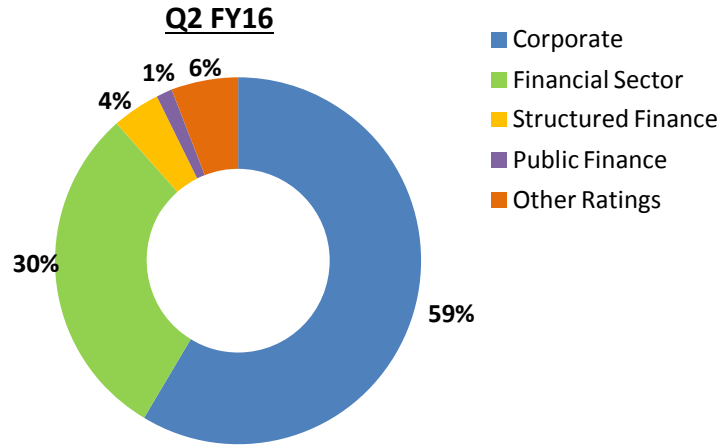
Operating Environment

- ❑ Economic activity has picked up but is not broad based. Private sector capex cycle yet to revive
- ❑ Moderate Bank Credit growth. Risk appetite of banks impacted due to concerns on assets quality. Substitution of bank credit through Commercial Paper and Debt market instruments also impacting bank credit growth
- ❑ Debt Market issuance during Q2 increased by robust 29% year on year (H1 growth at 15%)



Source: Bloomberg

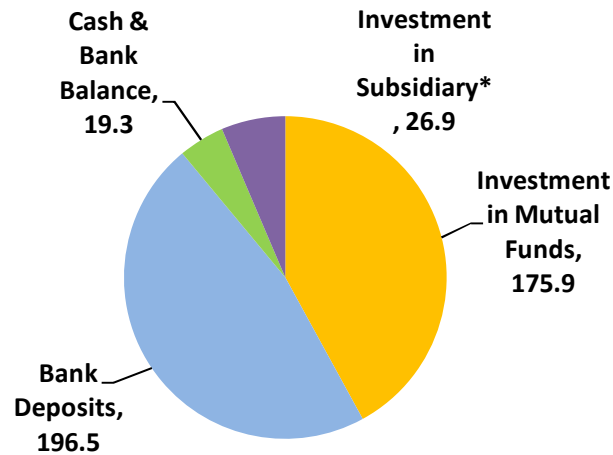
ICRA: Segment-wise Revenues



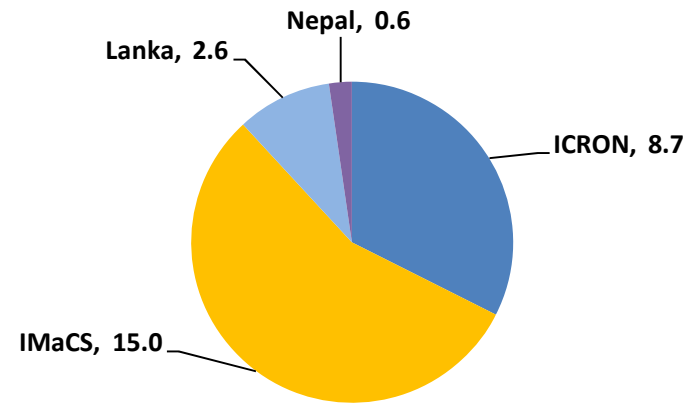
Growth was mainly driven by Debt market instruments and Structured finance ratings. Higher growth in Financial Sector and Structured Finance resulting in increased contribution from these segments

ICRA: Investments as on Sept 30, 2016

ICRA Investments Standalone(418.7Cr)



Investments in Subsidiary (26.9 Cr)*



- ❑ Cash & Cash Equivalents (including Investments in MFs & FDs) of INR. 391.7 Cr for ICRA Standalone
- ❑ Yield of 9.3 % on MF and 7.6 % on Bank deposits

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

ICRA: Challenges & Risk Factors

- Despite several policy measures, investment activity yet to show a meaningful revival
- 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 Q2 FY17 Vs Q2 FY16

- ❑ For the quarter ended September 30, 2016, consolidated operating income was INR 92.07 Crore, as against INR 84.61 Crore in the corresponding quarter of the previous financial year, reflecting a growth of 9%
- ❑ Consolidated PBT was INR 33.47 Crore, higher by 8%, as compared to the corresponding quarter of the previous financial year.
- ❑ Consolidated PAT (after minority interest) for the quarter was INR 21.68 Crore, higher by 5% over the corresponding quarter

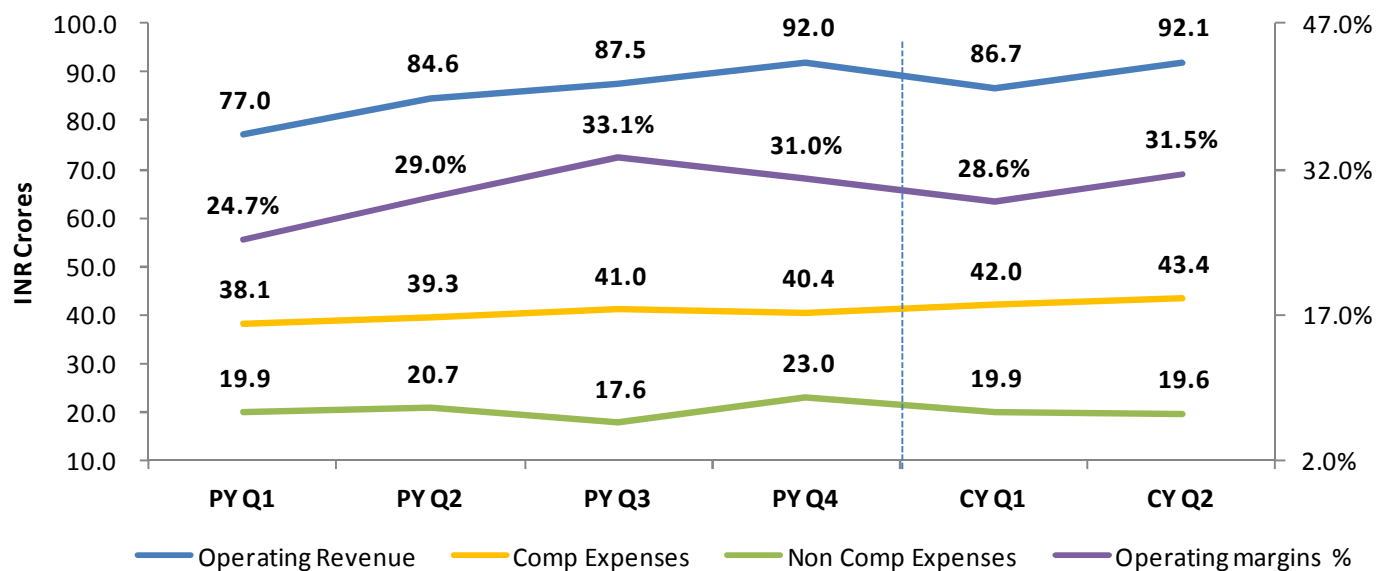
ICRA Group: Financial Highlights H1 FY17 Vs H1 FY16

- ❑ For the half year ended September 30, 2016, consolidated operating income was INR 178.78 Crore, as against INR 161.61 Crore in the corresponding period of the previous financial year, reflecting a growth of 11%
- ❑ Consolidated PBT was INR 61.34 Crore, higher by 8%, as compared to the corresponding period of the previous financial year
- ❑ Consolidated PAT (after minority interest) for the half year ended was INR 39.88 Crore, higher by 8%, as compared to the corresponding period of the previous financial year

ICRA Group: Consolidated Financials

Revenues (INR Lakh)	FY16	FY17	Growth	FY16	FY17	Growth
	H1	H1	%	Q2	Q2	%
Ratings	9,293	10,068	8%	4,956	5,300	7%
Consultancy	1,344	1,440	7%	695	741	7%
Outsourced and Information Services	1,943	2,383	23%	977	1,200	23%
IT related (Sales & Professional)	3,581	3,987	11%	1,833	1,966	7%
Total Operating Income	16,161	17,878	11%	8,461	9,207	9%
Other Income	1,797	1,202	-33%	901	672	-25%
Total Income	17,958	19,080	6%	9,362	9,879	6%
Profit before interest, depreciation, prior period adjustments, exceptional items & tax	6,152	6,581	7%	3,355	3,575	7%
Interest	55	-		29	-	
Profit before depreciation, prior period adjustments, exceptional items & tax	6,097	6,581	8%	3,326	3,575	7%
Depreciation	415	447	8%	220	228	4%
PBT	5,682	6,134	8%	3,106	3,347	8%
Taxes	1,963	2,137	9%	1,039	1,180	14%
PAT (before minority interest)	3,719	3,997	7%	2,067	2,167	5%

ICRA GROUP Profit & Loss (Quarterly Performance)



ICRA Group (INR Crores)	PY Q1	PY Q2	PY Q3	PY Q4	CY Q1	CY Q2
Operating Revenue	77.0	84.6	87.5	92.0	86.7	92.1
Comp Expenses	38.1	39.3	41.0	40.4	42.0	43.4
Non Comp Expenses	19.9	20.7	17.6	23.0	19.9	19.6
Operating margins %	24.7%	29.0%	33.1%	31.0%	28.6%	31.5%

ICRA Group: Segment wise Composition

Revenue Composition	FY16	FY17	FY16	FY17
	H1	H1	Q2	Q2
Ratings	58%	56%	59%	58%
Consultancy	8%	8%	8%	8%
Outsourced and Information Services	12%	13%	12%	13%
IT related (Sales & Professional)	22%	22%	22%	21%
Total Operating Income	100%	100%	100%	100%

Segment-wise margins composition	FY16	FY17	FY16	FY17
	H1	H1	Q2	Q2
Ratings	78%	74%	82%	77%
Consultancy	3%	1%	4%	0%
Outsourced and Information Services	13%	15%	12%	15%
IT related (Sales & Professional)	6%	10%	2%	8%
Total OPBIT	100%	100%	100%	100%

ICRA Group: Segment wise Operating Margins

Segment-wise operating margins	FY16	FY17	FY16	FY17
	H1	H1	Q2	Q2
Ratings	36%	40%	41%	42%
Consultancy	8%	2%	14%	1%
Outsourcing and Information	30%	35%	31%	35%
IT related (Sales & Professional)	8%	13%	2%	12%
Consolidated Operating Margin	27%	30%	29%	32%

ICRA Group: Update on Consultancy Services

❑ Operating Revenue growth of 7% in Q2 FY17 (YoY)

- Higher share of replicable business in strategic segments

❑ Operating Margin at 1% in Q2 FY17, compared to 14% in Q2 FY16

- Decrease in operating margin is primarily due to the provision for doubtful debts as per ageing provisioning policy of the Company

❑ Challenges

- Market for our consultancy services continues to be sluggish with no significant upturn in the investment cycle
- Pricing pressures on account of overcapacity in the industry continues to impact margins

ICRA Group: Update on Outsourcing & Information Services

❑ **Operating Revenue growth of 23% in Q2 FY17(YoY)**

- Revenue from outsourcing services grew primarily on account of growth in existing and new projects both in domestic and global market. This growth includes 3% benefit due to INR depreciation

❑ **Operating Margin at 35% in Q2 FY17, compared to 31% in Q2 FY16**

❑ **Challenges**

- To expand client-base and offerings

Divestment of ICTEAS

- ❑ ICRA held 100% equity stake in ICRA Techno Analytics Limited (“**ICTEAS**”), wholly owned subsidiary of the Company, engaged in the business of software development, its implementation and post implementation support services
- ❑ The sale of the IT business is a strategic decision of the Company and will be beneficial to the Members and other stakeholders of the Company in the long run, as this will enable the Company to enhance its focus on its core business
- ❑ 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**”) to Nihilent Technologies Limited, for a consideration of INR 68.75 Crore, comprising (i) payment of cash consideration of INR 32 Crores; and (ii) unsecured, unrated, 10% interest bearing and unlisted nonconvertible debentures, issued for the balance amount (INR 36.75 Crores), to be redeemed after one year and fifteen days from the date of issuance
- ❑ The company has received interim dividend from ICTEAS, prior to closing, of INR 11.58 Crores, excluding DDT
- ❑ The transaction got consummated on October 7, 2016, and as a result, ICTEAS along with its subsidiaries ceased as subsidiary of the Company

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