



ICRA

A MOODY'S INVESTORS
SERVICE COMPANY

Analyst Presentation, Q2 FY 18

November 2, 2017

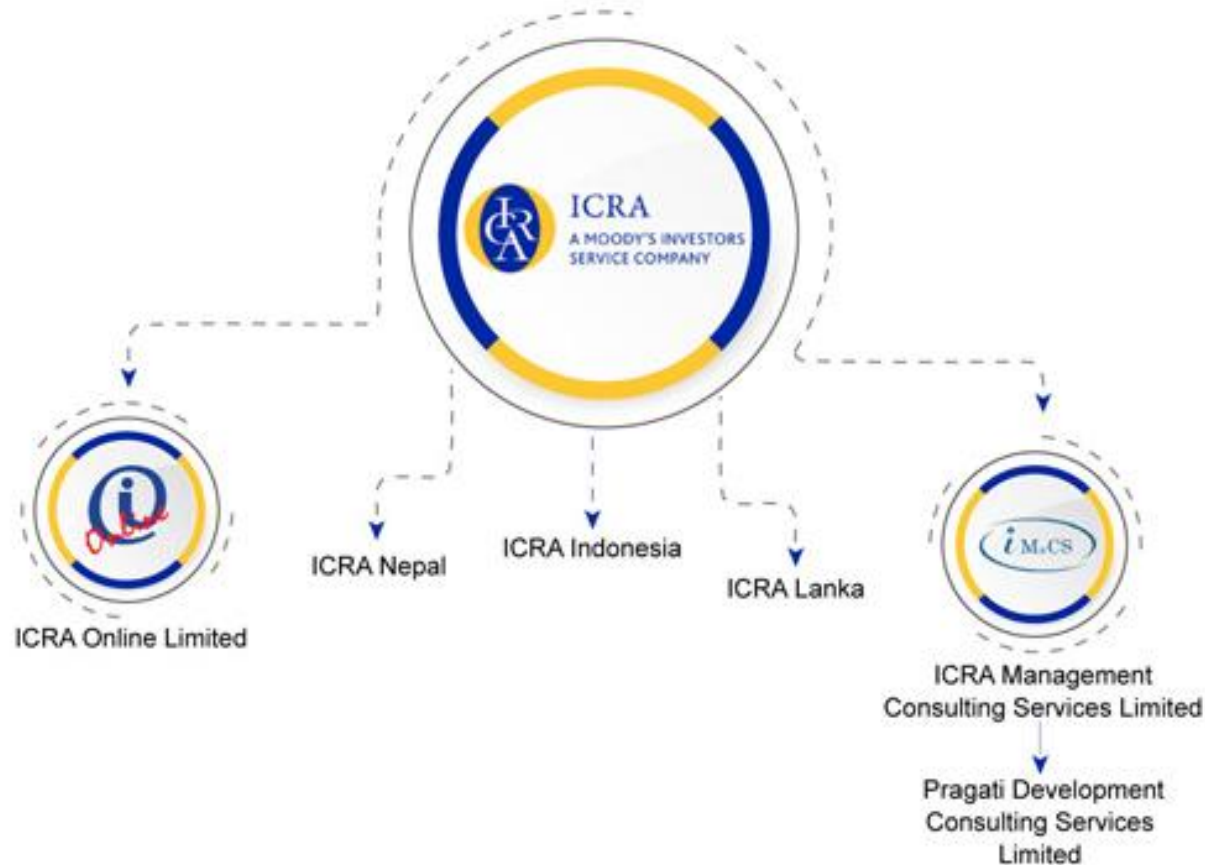


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SERVICE COMPANY

Business Profile

ICRA Group Structure



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

ICRA Standalone: Financial Highlights

- For the quarter ended Sept 30, 2017, the Company's operating income was Rs 55.5 crore, as against Rs 52.5 crore in the corresponding quarter of the previous financial year, reflecting a growth of around 5.7%. The growth in operating income was primarily driven by growth in debt market-related ratings
- The other income in the quarter is higher by 65.8%, as compared to the corresponding quarter of the previous financial year, mainly due to dividend income from the subsidiary company in the current quarter.
- PBT for the quarter is at Rs 37.2 crore, reflecting a growth of almost 21.7%, against the corresponding quarter of the previous financial year
- PAT* for the quarter was at Rs 26.8 crore, higher by 24.7% against the corresponding quarter of the previous financial year.
- The Indian Accounting Standard (Ind-AS) have been adopted by the Company from April 1, 2016

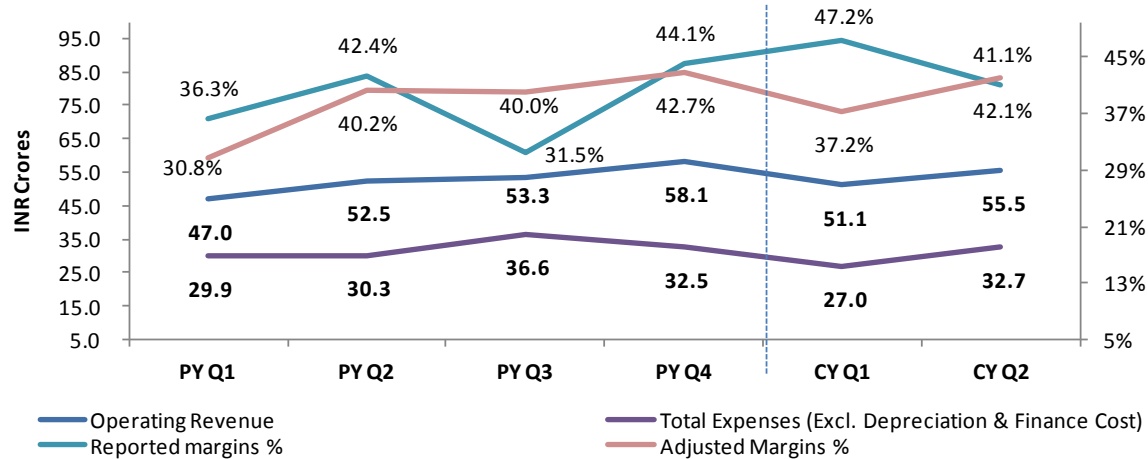
* PAT after comprehensive income

ICRA: Standalone Financials

Particulars (Rs. Crore)	Standalone							
	FY 17 Q2	FY 18 Q2	Variance Rs	Variance %	FY 17 H1	FY 18 H1	Variance Rs	Variance %
Income from operations								
Revenue from operations	52.5	55.5	3.0	5.7%	99.5	106.6	7.2	7.2%
Other income	9.1	15.0	6.0	65.8%	27.4	26.3	(1.0)	-3.8%
Total income from operations	61.6	70.6	9.0	14.6%	126.8	133.0	6.1	4.8%
Expenses								
Employee benefits expenses	22.2	24.7	2.5	11.1%	43.4	45.6	2.1	4.9%
Depreciation and amortisation expenses	0.8	0.7	(0.1)	-12.7%	1.5	1.3	(0.2)	-12.5%
Other expenses	8.0	8.0	(0.0)	-0.4%	16.8	14.1	(2.6)	-15.7%
Total expenses	31.1	33.4	2.3	7.5%	61.7	61.0	(0.7)	-1.1%
Profit before tax	30.5	37.2	6.6	21.7%	65.1	71.9	6.8	10.5%
Total tax expense	8.9	10.5	1.5	17.0%	16.0	21.4	5.4	33.9%
Profit after tax	21.6	26.7	5.1	23.7%	49.1	50.5	1.4	2.8%
Other comprehensive income, net of income tax	(0.1)	0.1	0.2	(1.5)	(0.2)	0.1	0.3	(1.4)
Total comprehensive income, net of income tax	21.5	26.8	5.3	24.7%	48.9	50.6	1.7	0.0
Operating margins%	42.4%	41.1%			39.5%	44.0%		
Adjusted margins%*	40.3%	42.1%			35.8%	39.8%		

*Adjustments are primarily for change in accounting practice for provision for doubtful debts and reversal of provision (made in PY) on account of variable compensation

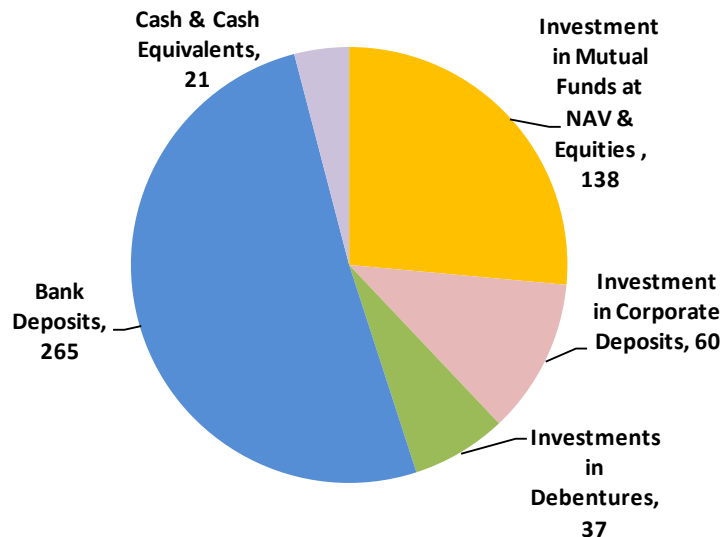
ICRA: Standalone Profit & Loss (Quarterly Performance)



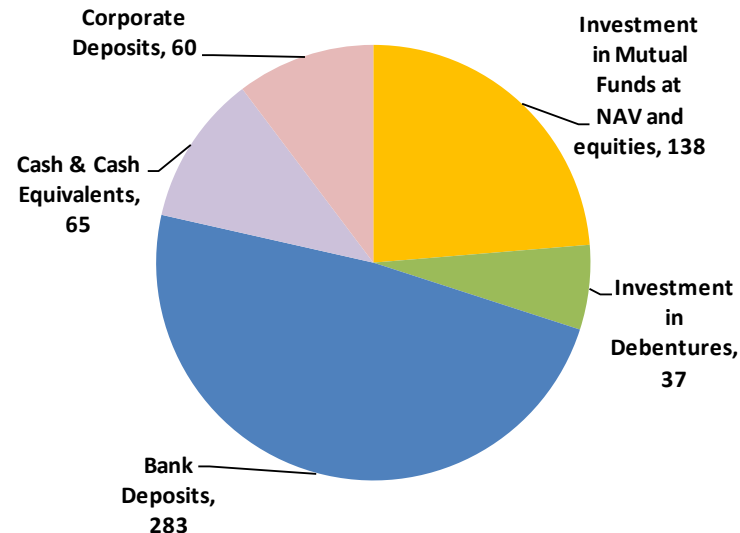
ICRA Ratings (Rs. Crores)	PY Q1	PY Q2	PY Q3	PY Q4	CY Q1	CY Q2
Operating Revenue	47.0	52.5	53.3	58.1	51.1	55.5
Total Expenses (Excl. Depreciation & Finance Cost)	29.9	30.3	36.6	32.5	27.0	32.7
Reported margins %	36.3%	42.4%	31.5%	44.1%	47.2%	41.1%
Adjusted Margins %	30.8%	40.2%	40.0%	42.7%	37.2%	42.1%

ICRA: Investments as on September 30,2017

ICRA Investments Standalone (521 Cr)

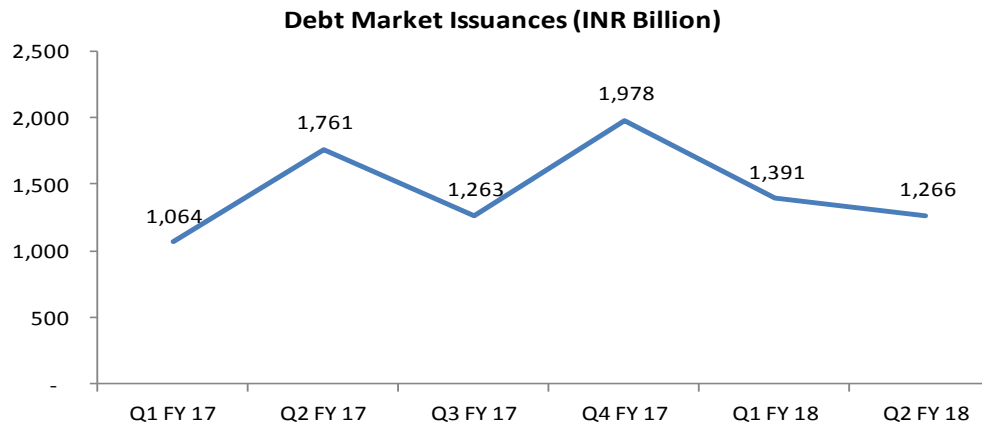


ICRA Investments Group (583 Cr)



- Yield of 9.3 % on MF, 6.9 % on Bank deposits & 10% on Debentures

- Overall credit growth at around 5.3% in Q2 FY18 continues to be subdued due to
 - Slow down in investment cycle, with retail being the key driver of growth
 - Banks' capital constraints; recently announced re-capitalisation would provide room for credit growth
- Bond issuances witnessed a Y-o-Y de-growth at 27.5% due to
 - Hardening of yields post August 2017 monetary policy
 - Steep increase in bond issuances (79.2%) last year in Q2 FY17
 - Limited headroom for FII investments in corporate bonds, with 90% of the limit already utilised
- Following a decline in CP outstanding in Q1FY18, increase in short-term borrowings pushed the growth in CP outstanding to 19.4% in Q2FY18



ICRA: Challenges and 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



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Performance Review: ICRA Group

ICRA Group: Financial Highlights

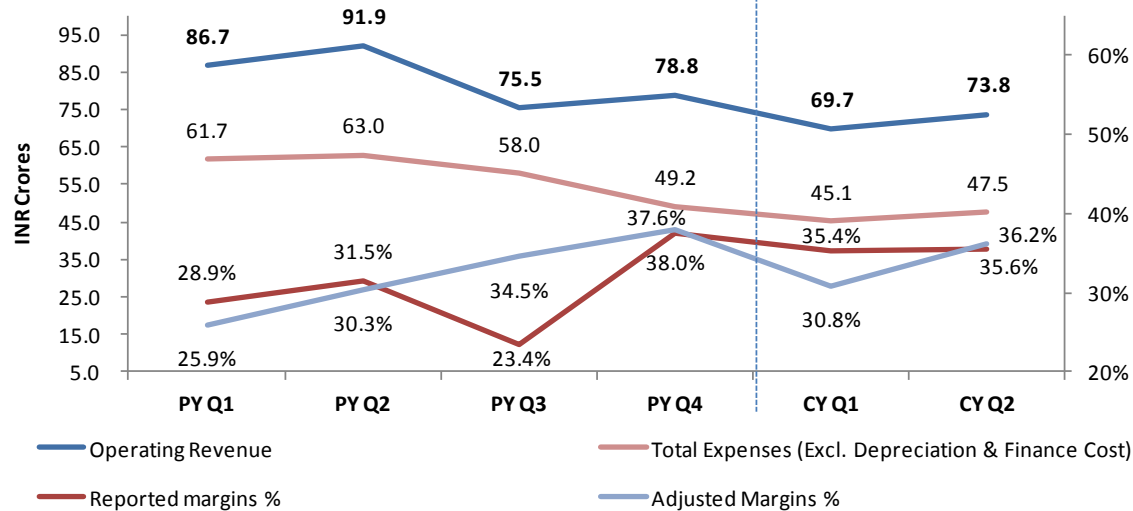
- For the quarter ended Sept 30, 2017, the consolidated operating income stood at Rs 73.8 crore, against Rs 92.1 crore in the corresponding quarter of the previous financial year, reflecting a decline of 20%. Decline in operating income and total income is primarily due to sale of IT business in October 2016
- PBT for the quarter was lower by 3.5% at Rs 35 crore, against Rs 36 crore in the corresponding quarter of the previous fiscal
- PAT* from continuing operations in the current quarter stood at Rs 24.7 crores, against Rs 22.9 crores, reflecting a growth of 7.8%

ICRA Group: Consolidated Financials

Particulars (Rs. crores)	ICRA Consolidated							
	FY 17 Q2	FY 18 Q2	Variance Rs	Variance %	FY 17 H1	FY 18 H1	Variance Rs	Variance %
Income from operations								
Revenue from operations	92.1	73.8	(18.3)	-19.9%	178.8	143.5	(35.3)	-19.7%
Other income	9.2	10.5	1.3	14.0%	19.2	22.3	3.1	16.0%
Total income from operations	101.3	84.3	(17.0)	-16.8%	198.0	165.8	(32.2)	-16.3%
Expenses								
Employee benefits expenses	43.0	35.9	(7.1)	-16.5%	84.6	68.1	(16.5)	-19.5%
Depreciation and amortisation expenses	2.3	1.8	(0.5)	-20.4%	4.5	3.5	(0.9)	-20.8%
Other expenses	19.8	11.6	(8.2)	-41.2%	39.8	24.5	(15.3)	-38.5%
Total expenses	65.1	49.4	(15.7)	-24.2%	129.0	96.2	(32.8)	-25.4%
Profit before tax	36.2	34.9	(1.3)	-3.5%	69.0	69.6	0.6	0.8%
Total tax expense	12.1	10.4	(1.7)	-13.9%	22.0	22.5	0.5	2.3%
Profit after tax	24.1	24.5	0.4	1.7%	47.0	47.1	0.1	0.1%
Other comprehensive income, net of income tax	(1.3)	0.1	1.4	-109.9%	(0.4)	0.0	0.5	-107.7%
Total comprehensive income, net of income tax	22.9	24.7	1.8	7.8%	46.6	47.2	0.5	1.1%
Operating margins%	31.8%	35.6%			30.3%	35.4%		
Adjusted margins%*	30.6%	36.2%			28.3%	33.6%		

*Adjustments are primarily for change in accounting practice for provision for doubtful debts and reversal of provision (made in PY) on account of variable compensation

ICRA: Group Profit & Loss (Quarterly Performance)



ICRA Group (Rs. Crores)	PY Q1	PY Q2	PY Q3	PY Q4	CY Q1	CY Q2
Operating Revenue	86.7	91.9	75.5	78.8	69.7	73.8
Total Expenses (Excl. Depreciation & Finance Cost)	61.7	63.0	58.0	49.2	45.1	47.5
Reported margins %	28.9%	31.5%	23.4%	37.6%	35.4%	35.6%
Adjusted Margins %	25.9%	30.3%	34.5%	38.0%	30.8%	36.2%

ICRA Group: Segment-wise Composition

Revenue Composition	Q2 FY 17 Rs. Cr	FY 17 %	Q2 FY 18 Rs. Cr	FY 18 %
Ratings	53.0	57.6%	56.4	76.4%
Consultancy	7.4	8.0%	5.2	7.0%
Outsourced and Information Services	12.0	13.0%	12.2	16.5%
IT related (Sales & Professional)	19.7	21.4%	0.1	0.1%
Total Operating Income	92.1	100.0%	73.8	100.0%

Reported margins absolute	Q2 FY 17 Rs. Cr	FY 17 %	Q2 FY 18 Rs. Cr	FY 18 %
Ratings	22.4	76.5%	23.6	89.8%
Consultancy	0.1	0.2%	(0.7)	-2.7%
Outsourced and Information Services	4.4	15.1%	3.5	13.3%
IT related (Sales & Professional)	2.4	8.2%	(0.1)	-0.4%
Total Segmental Profits (OPBDIT)	29.3	100%	26.2	100%

Revenue Composition	H1 FY 17 Rs. Cr	FY 17 %	H1 FY 18 Rs. Cr	FY 18 %
Ratings	100.7	56.3%	108.4	75.5%
Consultancy	14.4	8.1%	10.6	7.4%
Outsourced and Information Services	23.8	13.3%	24.3	17.0%
IT related (Sales & Professional)	39.9	22.3%	0.2	0.1%
Total Operating Income	178.8	100.0%	143.5	100.0%

Reported margins absolute	H1 FY 17 Rs. Cr	FY 17 %	H1 FY 18 Rs. Cr	FY 18 %
Ratings	40.0	73.6%	48.5	95.2%
Consultancy	0.3	0.6%	(4.3)	-8.3%
Outsourced and Information Services	8.6	15.9%	6.8	13.4%
IT related (Sales & Professional)	5.4	9.9%	(0.1)	-0.3%
Total Segmental Profits (OPBDIT)	54.3	100%	50.9	100%

- Operating Revenue 30.5% lower in Q2 FY18 (YoY) due to:
 - High attrition lead to delay in project execution
 - Delay in contract closure and consequent deferment of project execution
 - De-emphasis on certain non profitable segments due to strategic shift
- Negative operating margins in Q2 FY18, compared to 1% in Q2 FY17 due to:
 - Decrease in operating revenue. Decline in margins contained by better expense management.

- Operating revenue growth of 1.7% in Q2 FY18 (YoY)
 - Revenue from outsourcing services grew primarily on account of new projects from both domestic and global markets
 - Revenue growth is impacted due to Rupee appreciation
- Operating Margin at 28.6% in Q2 FY18, compared to 36.8% in Q2 FY17
 - Marginal growth in revenue
 - Adverse impact of Rupee appreciation

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