



ICRA

A MOODY'S INVESTORS
SERVICE COMPANY

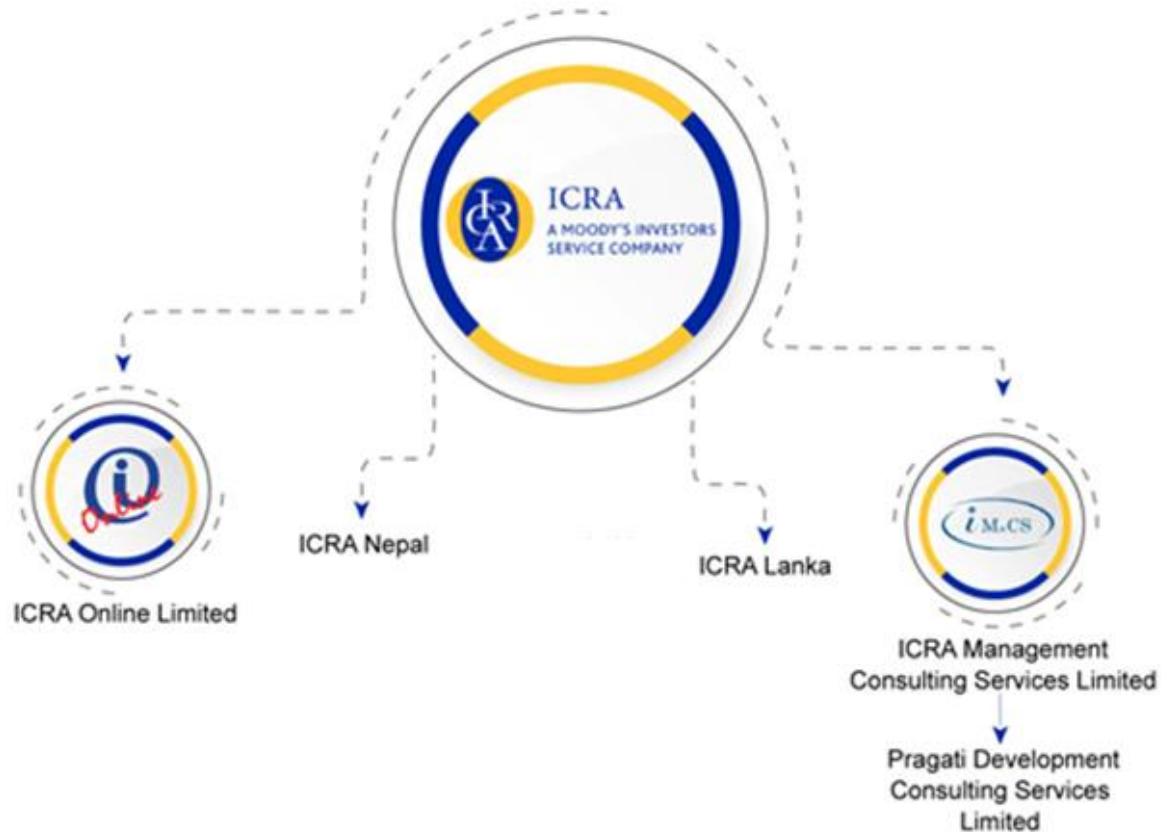
Investor Presentation, Q2 FY19

Nov 1, 2018



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



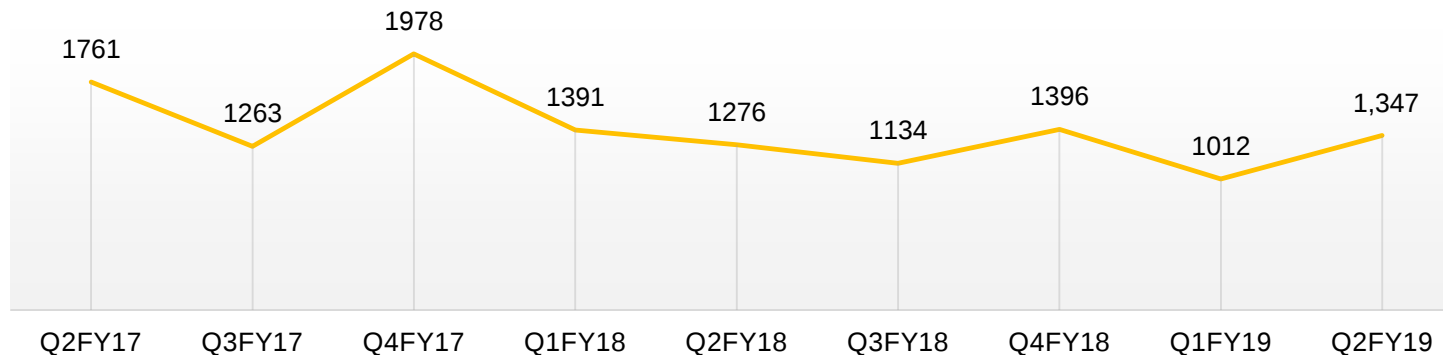
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Performance Review: ICRA Limited

- Bank credit outstanding witnessed a 12.6% y-o-y growth driven by Non Banking Finance Companies (NBFCs) and the retail segment.
- Bond issuances witnessed a 5.6% growth in Q2FY19 in an environment of elevated bond yields, lower demand from NBFCs and net FII outflows.
- Outstanding volumes on shorter term instruments, such as commercial papers witnessed a 41.4% y-o-y growth.

Debt Market Issuances (₹ billion)



ICRA Standalone: Financial Highlights

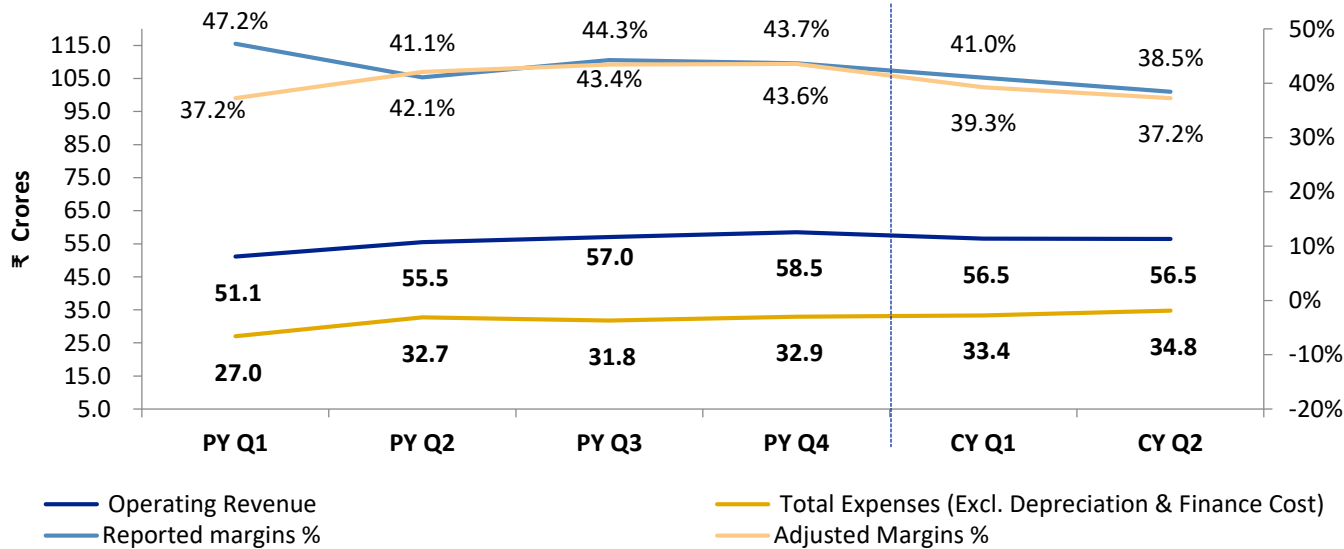
- For the quarter ended September 30, 2018 the Company's operating income was ₹56.5 crore, as against ₹55.5 crore in the corresponding quarter of the previous financial year, reflecting a growth of 1.7%.
- The other income in the quarter increased by 3.5% compared to corresponding quarter of the previous financial year, mainly due to higher gain on mutual fund investments in current quarter.
- PBT for the quarter was ₹36.7 crore, reflecting a de-growth of 1.3%, against the corresponding quarter of the previous financial year.
- PAT for the quarter was ₹28.4 crore, 6.2% higher than the corresponding quarter in previous year.
- The applicable base tax rate effective from FY 2018-19 is 25%, compared to 30% till March 2018.
- Pursuant to the approval of Board of Directors on 9 August, 2018 for the buyback of equity shares of the Company, the buyback process commenced on October 1, 2018 under the open market route. As of October 31, 2018, the Company utilized 70.03% of maximum buyback size of ₹ 85.4 crore and bought back 173,606 equity shares as part of the buyback.

ICRA Standalone: Financials

Particulars (Rs. Crore)	Standalone					
	FY 18 Q2	FY 19 Q2	Variance %	FY 18 H1	FY 19 H1	Variance %
Income						
Revenue from operations	55.5	56.5	1.7%	106.6	113.0	6.0%
Other income	15.0	15.6	3.5%	26.3	24.4	-7.3%
Total income	70.6	72.0	2.1%	133	137.4	3.3%
Expenses						
Employee benefits expenses	24.7	27.2	10.0%	45.5	54.8	20.4%
Depreciation and amortisation expenses	0.7	0.6	-15.9%	1.3	1.1	-19.9%
Other expenses	8.0	7.6	-5.1%	14.1	13.3	-6.0%
Total expenses	33.4	35.3	5.9%	61.0	69.2	13.4%
Profit before tax	37.2	36.7	-1.3%	71.9	68.2	-5.2%
Total tax expense	10.5	8.3	-20.3%	21.4	17.1	-20.4%
Profit after tax	26.7	28.4	6.2%	50.5	51.1	1.2%
Other comprehensive income, net of tax	0.1	0.1	-0.9%	0.1	0.0	-73.6%
Net Profit after other comprehensive income and taxes	26.8	28.4	6.2%	50.6	51.2	1.1%
Operating margins%	41.1%	38.5%		44.0%	39.7%	
Adjusted margins%*	42.5%	37.2%		40.3%	38.2%	

* Adjustments pertain to (i) impact of Ind AS 115 (ii) change in accounting practice for provision for doubtful debts (iii) reversal of provisions on account of variable compensation and (iv) corporate actions.

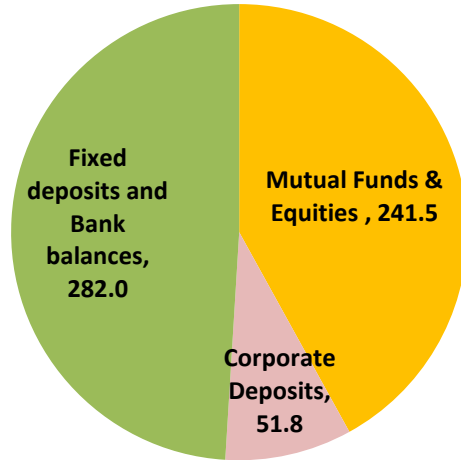
ICRA Standalone: Profit & Loss (Quarterly Performance)



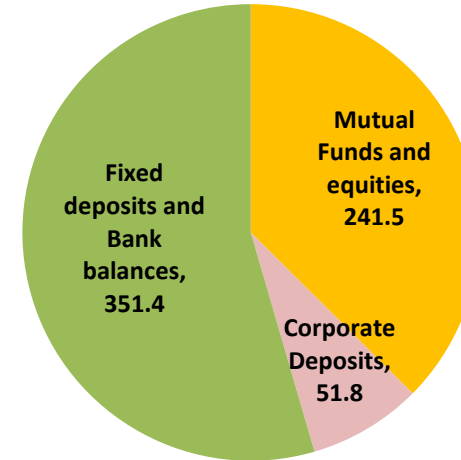
ICRA Ratings (₹ Crores)	PY Q1	PY Q2	PY Q3	PY Q4	CY Q1	CY Q2
Operating Revenue	51.1	55.5	57.0	58.5	56.5	56.5
Total Expenses (Excl. Depreciation & Finance Cost)	27.0	32.7	31.8	32.9	33.4	34.8
Reported margins %	47.2%	41.1%	44.3%	43.7%	41.0%	38.5%
Adjusted Margins %	37.2%	42.1%	43.4%	43.6%	39.3%	37.2%

ICRA: Investments as on September 30, 2018

ICRA Investments Standalone (₹ 575 Cr)



ICRA Investments Group (₹ 644 Cr)



- Yield of 7.5% (CAGR) on MF, 7.3 % on Bank deposits, 6.9% on Corporate Deposits

ICRA: Challenges and Risk Factors

- Adverse yield movement
- 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

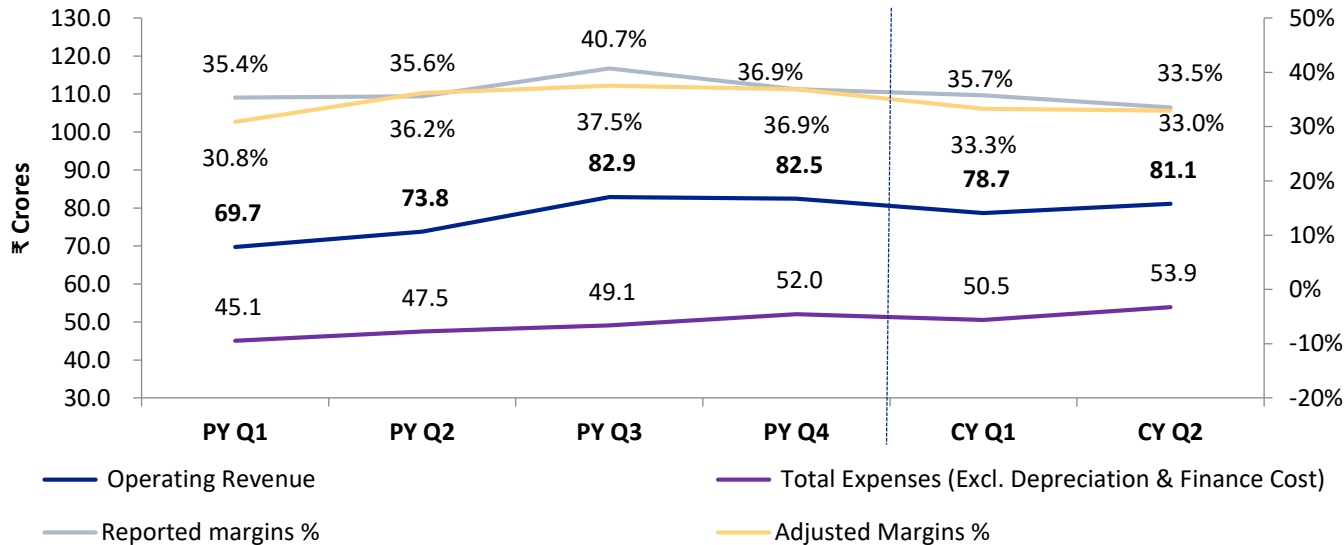
- For the quarter ended September 30, 2018, consolidated operating income was ₹ 81.1 crore, as against ₹ 73.8 crore in the corresponding quarter of the previous financial year, reflecting a growth of 9.9%.
- The other income in the quarter increased by 13.1% as compared to corresponding quarter of the previous financial year.
- PBT for the quarter was higher by 7.8% at ₹ 37.7 crore, as against ₹ 35.0 crore in the corresponding quarter.
- PAT for the quarter was ₹ 26.6 crore, as against ₹ 24.5 crore in the corresponding quarter of the previous financial year, reflecting a growth of 8.6%.

ICRA Group: Consolidated Financials

Particulars (Rs. crores)	ICRA Consolidated					
	FY 18 Q2	FY 19 Q2	Variance %	FY 18 H1	FY 19 H1	Variance %
Income						
Revenue from operations	73.8	81.1	9.9%	143.5	159.7	11.3%
Other income	10.5	11.9	13.1%	22.3	22.2	-0.5%
Total income	84.3	93.0	10.3%	165.8	181.9	9.7%
Expenses						
Employee benefits expenses	35.9	40.4	12.5%	68.1	81.2	19.2%
Depreciation and amortisation expenses	1.8	1.4	-25.5%	3.5	2.6	-26.7%
Other expenses	11.6	13.5	16.4%	24.5	23.2	-5.2%
Total expenses	49.4	55.3	12.0%	96.2	107.1	11.3%
Profit before tax	34.9	37.7	7.8%	69.6	74.8	7.5%
Total tax expenses	10.4	11.1	6.1%	22.5	22.8	1.4%
Profit after tax	24.5	26.6	8.6%	47.1	52.0	10.4%
Other comprehensive income, net of income tax	0.1	0.1		0.0	0.1	100.0%
Profit after other comprehensive income & taxes	24.7	26.7	8.3%	47.2	52.1	10.4%
Minority interest	0.1	0.0	-63.6%	0.3	0.2	-16.0%
Net profit after taxes and minority interest	24.6	26.7	8.6%	46.9	51.9	10.6%
Operating margins%	35.6%	33.5%		35.5%	34.6%	
Adjusted margins%*	36.4%	33.0%		34.0%	33.1%	

* Adjustments pertain to (i) impact of Ind AS 115 (ii) change in accounting practice for provision for doubtful debts (iii) reversal of provisions on account of variable compensation (iv) higher provision and cost over-runs on legacy contracts and (v) corporate actions.

ICRA Group: Profit & Loss (Quarterly Performance)



ICRA Group (₹ Crores)	PY Q1	PY Q2	PY Q3	PY Q4	CY Q1	CY Q2
Operating Revenue	69.7	73.8	82.9	82.5	78.7	81.1
Total Expenses (Excl. Depreciation & Finance Cost)	45.1	47.5	49.1	52.0	50.5	53.9
Reported margins %	35.4%	35.6%	40.7%	36.9%	35.7%	33.5%
Adjusted margins %	30.8%	36.2%	37.5%	36.9%	33.3%	33.0%

ICRA Group: Segment-wise Composition

Revenue Composition (Adjusted)	Q2 FY 18 Rs. Cr	FY 18 %	Q2 FY 19 Rs. Cr	FY 19 %
Ratings	57.5	76.7%	57.7	72.3%
Consultancy	5.2	6.9%	4.6	5.7%
Outsourced and Information Services	12.3	16.4%	17.6	22.0%
Total Operating Income	75.0	100.0%	79.9	100.0%

Adjusted margins absolute	Q2 FY 18 Rs. Cr	FY 18 %	Q2 FY 19 Rs. Cr	FY 19 %
Ratings	24.8	90.9%	21.6	81.9%
Consultancy	(0.9)	-3.3%	(1.0)	-4.0%
Outsourced and Information Services	3.4	12.4%	5.8	22.1%
Total Segmental Profits (OPBDIT)	27.3	100.0%	26.3	100%

Revenue Composition (Adjusted)	H1 FY 18 Rs. Cr	FY 18 %	H1 FY 19 Rs. Cr	FY 19 %
Ratings	110.4	75.8%	114.8	72.9%
Consultancy	10.6	7.3%	9.1	5.7%
Outsourced and Information Services	24.5	16.9%	33.6	21.3%
Total Operating Income	145.5	100%	157.5	100%

Adjusted margins absolute	H1 FY 18 Rs. Cr	FY 18 %	H1 FY 19 Rs. Cr	FY 19 %
Ratings	45.3	91.6%	44.4	85.2%
Consultancy	(2.5)	-5.1%	(3.1)	-5.9%
Outsourced and Information Services	6.7	13.5%	10.8	20.8%
Total Segmental Profits (OPBDIT)	49.5	100%	52.1	100%

Consulting Services

- Operating Revenue in Q2FY19 is 12% lower than the corresponding quarter in the previous year on account of de-emphasis on certain non profitable segments as well as higher provisioning and cost in relation to certain legacy contracts

Outsourcing and Information Services

- Operating revenue (excluding export incentive) recorded a growth of 43% (YoY) in Q2 FY19, driven by growth in outsourcing business. Revenue growth of 11% is on account of decline in rupee.
- Year on year operating margins have improved both on account of revenue growth and decline in rupee.

Merger of two wholly-owned subsidiaries

- The Scheme of Amalgamation of ICRA Management Consulting Services Limited with ICRA Online Limited (both wholly owned subsidiaries of the company) which was approved by the Board of Directors of the company on August 9, 2018, has been filed with National Company Law Tribunal in September 2018 and is pending for approval.

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