

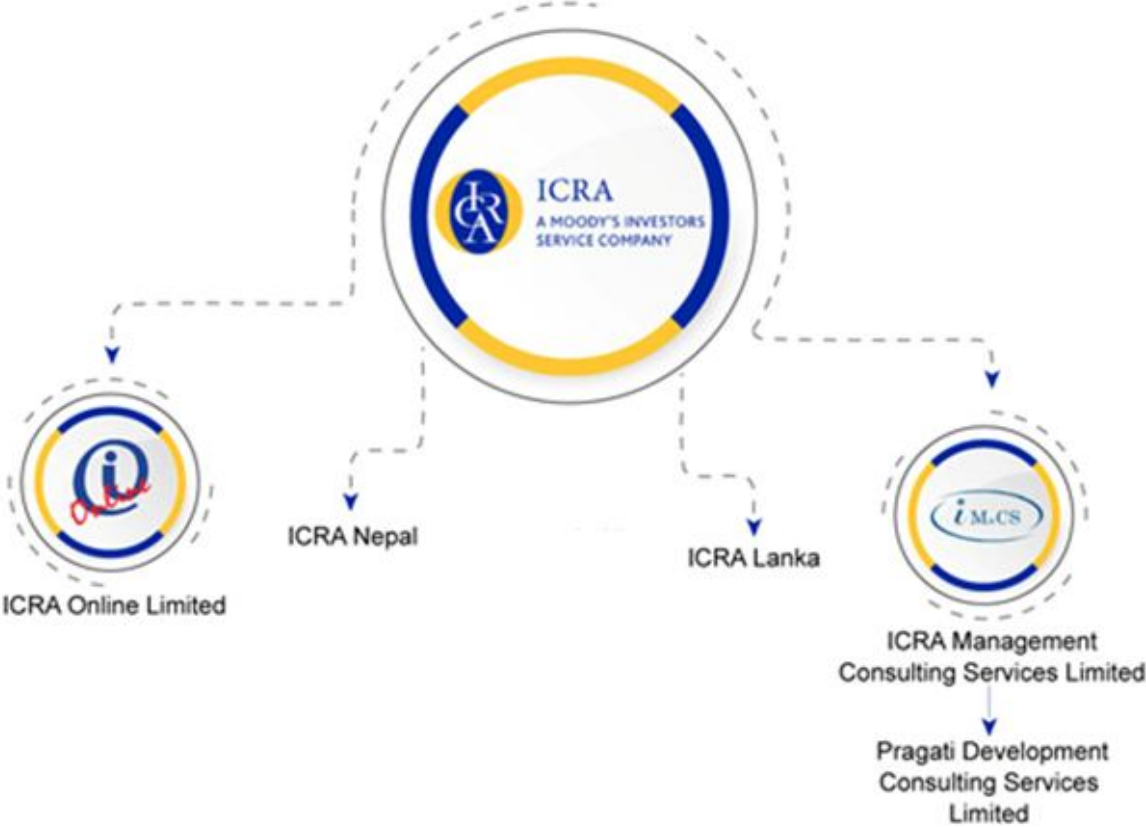


ICRA
A MOODY'S INVESTORS
SERVICE COMPANY

Investor Presentation, Q2 FY20

October 24, 2019

ICRA Group Structure





Performance Review: ICRA Limited

Operating Environment

- Bank credit grew by 8.7% y-o-y during Q2FY20. NBFC and retail segments continue to remain key drivers of credit growth.
- Bond issuances witnessed a growth of 7.4% y-o-y during Q2FY20, driven by public sector undertakings (PSUs) whereas private sector issuance continue to decline. Commercial paper outstanding de-grew ~9% (q-o-q) in Q2FY20.
- Structured Finance volumes (PTCs) continued to grow strongly at ~35% (y-o-y) in Q2FY20 backed by large transactions in Asset-backed securities (ABS) and Mortgage-backed securities (MBS).

ICRA Standalone: Financial Highlights

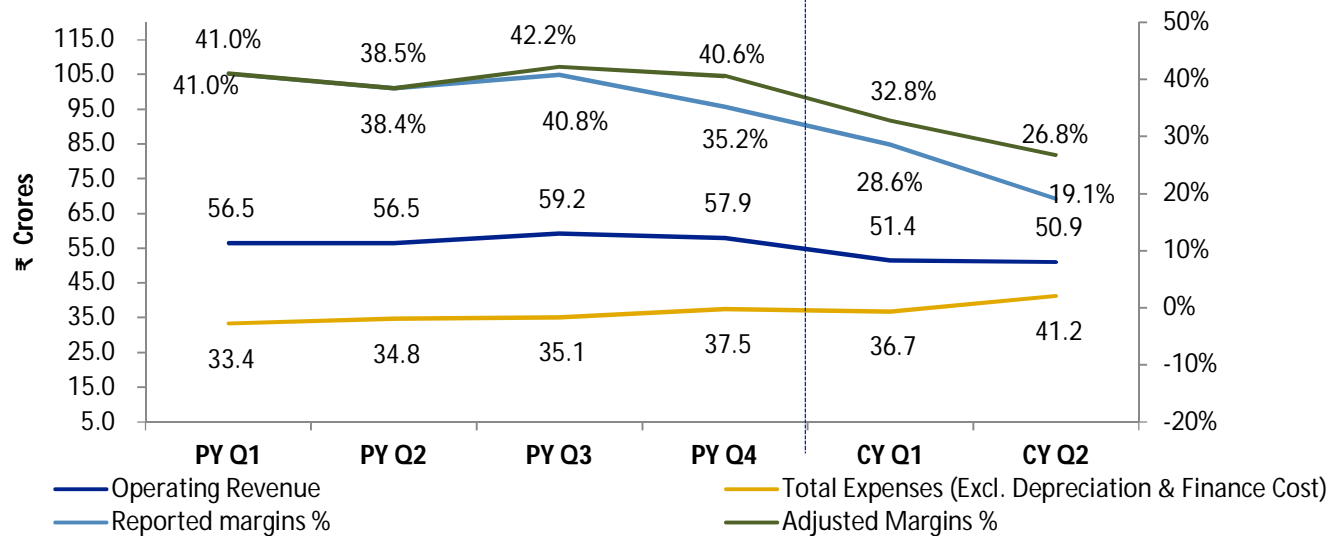
- For the quarter ended September 30, 2019 the Company's operating income was ₹50.9 crore, as against ₹56.5 crore in the corresponding quarter of the previous financial year. The decline in operating revenue mainly reflects the subdued demand for funding from the industrial sector and continued risk aversion to funding certain large NBFCs/HFCs.
- The other income in the quarter dipped by 32.5% from the year-ago quarter, mainly due to dividend received from one of the subsidiaries during the corresponding quarter of the previous year, however, no such dividend was received during the current quarter.
- PBT for the quarter was lower by 50.3% at ₹ 18.3 crore, as against ₹ 36.7 crore in the corresponding quarter of the previous financial year. PBT mainly declined due to higher legal and professional charges and provisions for bad debts.
- PAT for the quarter was lower by 53.9% at ₹ 13.1 crore, as against ₹28.4 crore in the corresponding quarter of the previous financial year.

ICRA Standalone: Financials

| Particulars (Rs. Crore) | Standalone | | | | | | | |
|---|--------------|--------------|----------------|---------------|--------------|--------------|----------------|---------------|
| | FY 19 Q2 | FY 20 Q2 | Variance Rs | Variance % | FY 19 H1 | FY 20 H1 | Variance Rs | Variance % |
| Income | | | | | | | | |
| Revenue from operations | 56.5 | 50.9 | (5.5) | -9.8% | 113.0 | 102.3 | (10.7) | -9.5% |
| Other income | 15.6 | 10.5 | (5.1) | -32.5% | 24.4 | 20.6 | (3.8) | -15.4% |
| Total income | 72.0 | 61.4 | (10.6) | -14.7% | 137.4 | 122.9 | (14.4) | -10.5% |
| Expenses | | | | | | | | |
| Employee benefits expenses | 27.2 | 28.8 | 1.7 | 6.1% | 54.8 | 56.6 | 1.8 | 3.2% |
| Finance costs | 0.0 | 0.5 | 0.5 | | 0.0 | 0.8 | | 0.0% |
| Depreciation and amortisation expenses | 0.6 | 1.5 | 0.9 | 156.9% | 1.1 | 2.7 | 1.6 | 148.3% |
| Other expenses | 7.6 | 12.4 | 4.8 | 63.4% | 13.3 | 21.3 | 8.0 | 60.6% |
| Total expenses | 35.3 | 43.2 | 7.8 | 22.2% | 69.2 | 81.3 | 11.4 | 16.5% |
| Profit before tax | 36.7 | 18.3 | (18.4) | -50.3% | 68.2 | 41.6 | (25.9) | -37.9% |
| Total tax expense | 8.3 | 5.2 | (3.2) | -37.9% | 17.1 | 13.6 | (3.5) | -20.2% |
| Profit after tax | 28.4 | 13.1 | (15.3) | -53.9% | 51.1 | 28.0 | (22.4) | -43.8% |
| Other comprehensive income, net of income tax | 0.1 | (0.1) | (0.2) | | 0.0 | (0.2) | (0.3) | |
| Total comprehensive income | 28.4 | 13.0 | (15.5) | -54.4% | 51.2 | 27.8 | (23.4) | -45.7% |
| Operating margins% | 38.5% | 19.1% | | | 39.7% | 23.1% | | |
| Adjusted margins%* | 38.4% | 26.8% | | | 39.7% | 29.4% | | |

* Adjustments mainly pertain to (i) impact of Ind AS116 and (ii) certain one-time expenses.

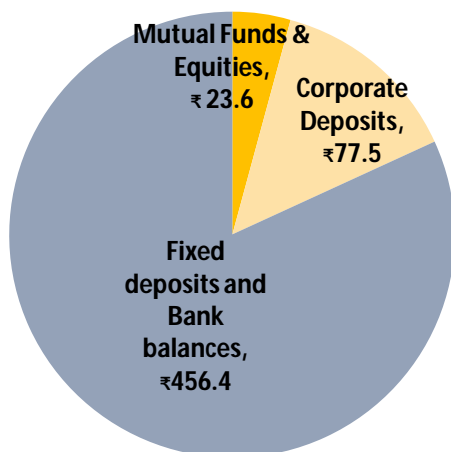
ICRA Standalone: Profit & Loss (Quarterly Performance)



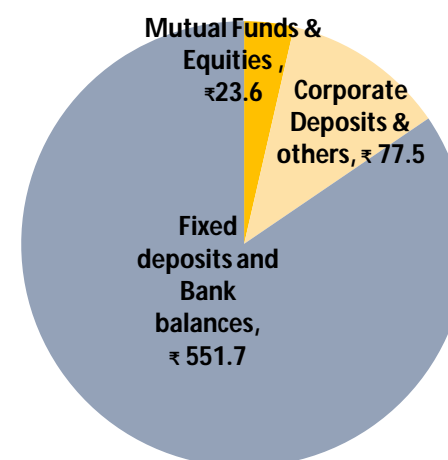
| ICRA Ratings (₹ Crores) | PY Q1 | PY Q2 | PY Q3 | PY Q4 | CY Q1 | CY Q2 |
|--|-------|-------|-------|-------|-------|-------|
| Operating Revenue | 56.5 | 56.5 | 59.2 | 57.9 | 51.4 | 50.9 |
| Total Expenses (Excl. Depreciation & Finance Cost) | 33.4 | 34.8 | 35.1 | 37.5 | 36.7 | 41.2 |
| Reported margins % | 41.0% | 38.5% | 40.8% | 35.2% | 28.6% | 19.1% |
| Adjusted Margins % | 41.0% | 38.4% | 42.2% | 40.6% | 32.8% | 26.8% |

ICRA: Investments as on Sep 30, 2019

ICRA Investments Standalone (₹ 557.5 Cr)



ICRA Investments Group (₹ 652.8 Cr)



- YTD Yield: 7.27% (CAGR) on MF, 7.23 % 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



ICRA

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Performance Review: ICRA Group

ICRA Group: Financial Highlights

- For the quarter ended September 30, 2019, revenue from operations was ₹ 77.6 crore, as against ₹ 81.1 crore in the corresponding quarter of the previous financial year, reflecting a de-growth of 4.2%.
- The other income in the quarter increased by 1.9% as compared to corresponding quarter of the previous financial year.
- PBT for the quarter was lower by 27.8% at ₹ 27.2 crore, as against ₹ 37.7 crore in the corresponding quarter of the previous financial year.
- PAT for the quarter was lower by 28.0% at ₹ 19.3 crore, as against ₹ 26.8 crore in the corresponding quarter of the previous financial year.

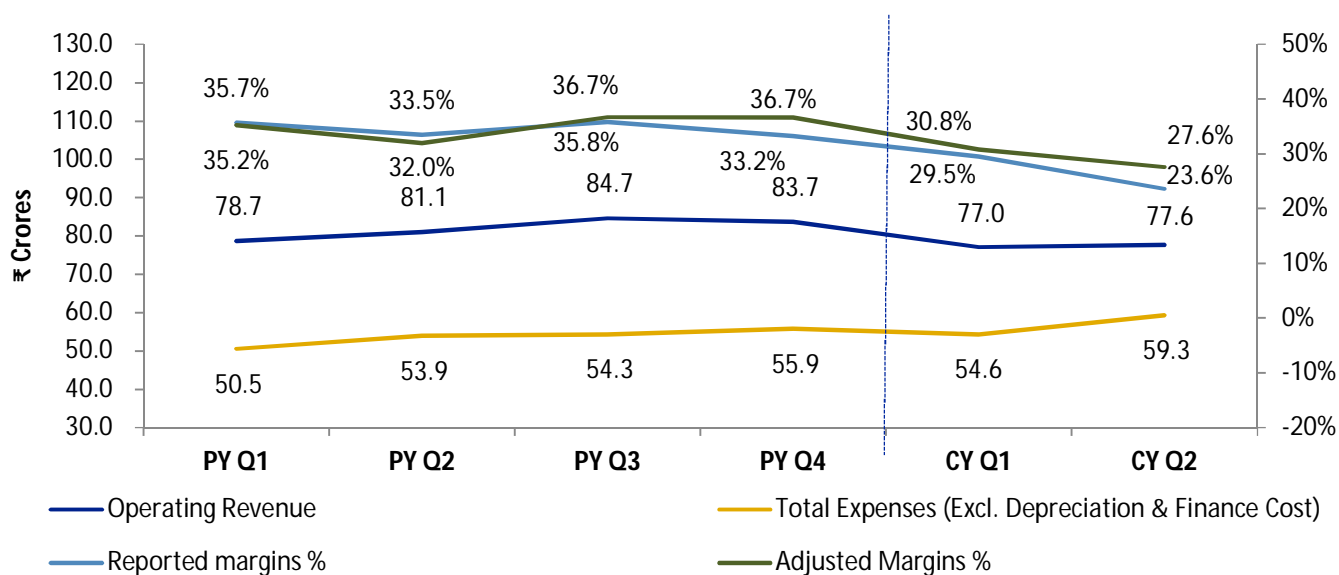
ICRA Group: Consolidated Financials



| Particulars (Rs. crores) | ICRA Consolidated | | | | | | | |
|---|-------------------|--------------|---------------|---------------|--------------|--------------|---------------|---------------|
| | FY 19 Q2 | FY 20 Q2 | Variance Rs | Variance % | FY 19 H1 | FY 20 H1 | Variance Rs | Variance % |
| Income | | | | | | | | |
| Revenue from operations | 81.1 | 77.6 | (3.4) | -4.2% | 159.7 | 154.7 | (5.1) | -3.2% |
| Other income | 11.9 | 12.1 | 0.2 | 1.9% | 22.2 | 23.8 | 1.6 | 7.3% |
| Total income | 93.0 | 89.8 | (3.2) | -3.5% | 181.9 | 178.5 | (3.4) | -1.9% |
| Expenses | | | | | | | | |
| Employee benefits expenses | 40.4 | 42.8 | 2.4 | 6.0% | 81.2 | 84.6 | 3.4 | 4.2% |
| Finance costs | 0.0 | 0.6 | 0.6 | | 0.0 | 0.9 | 0.9 | 0.0% |
| Depreciation and amortisation expenses | 1.4 | 2.7 | 1.3 | 99.7% | 2.6 | 5.0 | 2.4 | 91.8% |
| Other expenses | 13.5 | 16.5 | 2.9 | 21.5% | 23.3 | 29.3 | 6.0 | 25.8% |
| Total expenses | 55.3 | 62.6 | 7.3 | 13.1% | 107.1 | 119.8 | 12.7 | 11.9% |
| Profit before tax | 37.7 | 27.2 | (10.5) | -27.8% | 74.8 | 58.7 | (16.1) | -21.6% |
| Total tax expenses | 10.9 | 7.9 | (3.0) | -27.3% | 22.0 | 18.8 | (3.2) | -14.4% |
| Profit after tax | 26.8 | 19.3 | (7.5) | -28.0% | 52.8 | 39.9 | (13.0) | -24.6% |
| Other comprehensive income, net of income tax | 0.1 | (0.1) | (0.2) | | 0.1 | (0.3) | (0.3) | |
| Total comprehensive income | 26.9 | 19.2 | (7.7) | -28.7% | 52.9 | 39.6 | (13.3) | -25.1% |
| Minority interest | 0.2 | 0.2 | (0.0) | -8.3% | 0.2 | 0.5 | 0.2 | 117.7% |
| Net profit after taxes and minority interest | 26.7 | 19.0 | (7.7) | -28.9% | 52.7 | 39.1 | (13.5) | -25.7% |
| Operating margins% | 33.5% | 23.6% | | | 34.6% | 26.4% | | |
| Adjusted margins%* | 32.0% | 27.6% | | | 32.9% | 28.4% | | |

* Adjustments mainly pertain to (i) impact of Ind AS116 (ii) Export incentives and (iii) certain one-time expense.

ICRA Group: Profit & Loss (Quarterly Performance)



| ICRA Group (₹ Crores) | PY Q1 | PY Q2 | PY Q3 | PY Q4 | CY Q1 | CY Q2 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
| Operating Revenue | 78.7 | 81.1 | 84.7 | 83.7 | 77.0 | 77.6 |
| Total Expenses (Excl. Depreciation & Finance Cost) | 50.5 | 53.9 | 54.3 | 55.9 | 54.6 | 59.3 |
| Reported margins % | 35.8% | 33.5% | 35.8% | 33.2% | 29.5% | 23.6% |
| Adjusted Margins % | 35.2% | 32.0% | 36.7% | 36.7% | 30.8% | 27.6% |

ICRA Group: Segment-wise Composition

| Revenue Composition * | Q2 FY 19 Rs. Cr | FY 19 % | Q2 FY 20 Rs. Cr | FY 20 % |
|-------------------------------------|--------------------|---------------|--------------------|---------------|
| Ratings | 57.1 | 70.0% | 52.5 | 66.7% |
| Consultancy | 5.1 | 6.2% | 5.1 | 6.5% |
| Outsourced and Information Services | 19.5 | 23.8% | 21.2 | 26.8% |
| Total Operating Income | 81.6 | 100.0% | 78.8 | 100.0% |

| Operating Profit* | Q2 FY 19 Rs. Cr | FY 19 % | Q2 FY 20 Rs. Cr | FY 20 % |
|---|--------------------|---------------|--------------------|-------------|
| Ratings | 21.7 | 82.3% | 8.6 | 53.7% |
| Consultancy | (2.3) | -8.9% | (0.6) | -3.9% |
| Outsourced and Information Services | 7.0 | 26.6% | 8.1 | 50.2% |
| Total Segmental Profits (OPBDIT) | 26.4 | 100.0% | 16.1 | 100% |

*Without adjustment of Inter company revenue

Consulting Services

- Operating revenue of consulting business was up by 1.4% y-o-y in Q2FY20 as the inflow of mandate was better against the corresponding quarter. Lower provisioning on account of legacy projects has led to a reduction in losses.

Outsourcing and Information Services

- Operating revenue recorded a growth of 13% y-o-y in Q2FY20 (excluding export incentive), driven by growth in volumes of domestic and global businesses, including marginal benefit of 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 ("Transferor Company"), involved in consulting services, with ICRA Online Limited ("Transferee Company"), involved in outsourcing and information services, subject to requisite approvals. The National Company Law Tribunal ("NCLT"), New Delhi and Kolkata have sanctioned the scheme of amalgamation filed by the Transferor Company and Transferee Company, respectively.
- The merger will be effective from the date on which the NCLT's order will be filed with the Registrar of Companies. The Company has given the accounting effect of the scheme in its quarterly financial results.

Disclaimer



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