



**Analyst Presentation, Q3 FY16**

**12<sup>th</sup> February 2016**

# Table of Contents

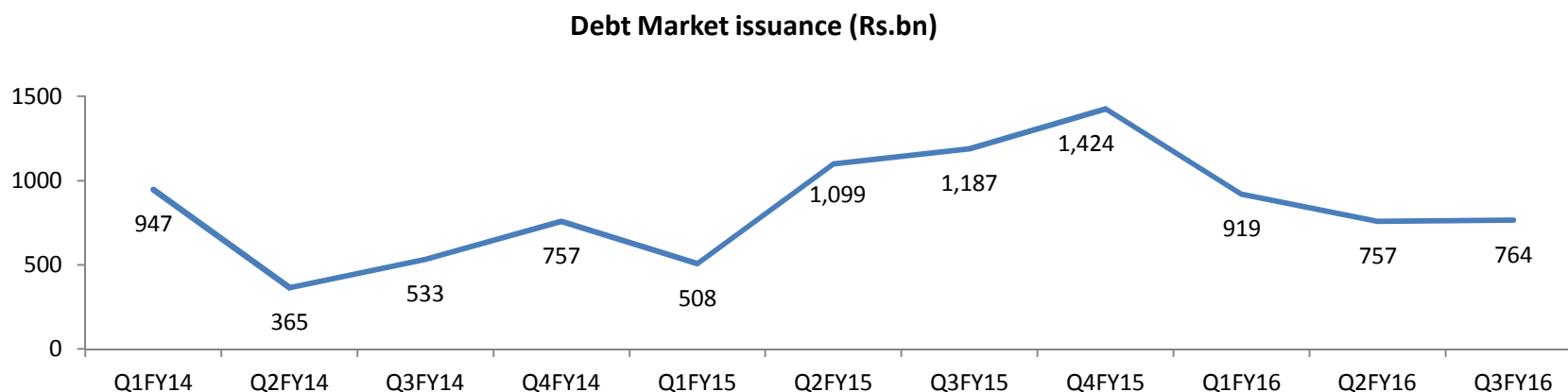
1. Performance Review: ICRA Limited
2. Performance Review: ICRA Group



## Performance Review: ICRA Limited

## Operating Environment

- ❑ Investment cycle remains sluggish.
- ❑ Deflation in commodity prices has reduced working capital requirement.
- ❑ Debt issuances during Q3 FY 16 remained flat on a quarter on quarter basis (graph below), declining 13% Y-o-Y during 9M FY 16. There have been hardening of long term yields during Nov 15 and Dec 15 thereby impacting long term debt issuance.
- ❑ Commercial Paper(CP) issuances in Q3 FY 16 has seen robust growth. However, this led to substitution of bank credit leading to sluggish bank credit growth.



Source: Bloomberg

## ICRA: Standalone Financials

Particulars (Rs. Lakh)	FY15 YTD	FY16 YTD	Growth %	FY15 Q3	FY16 Q3	Growth %
<b>Operating Revenue</b>	<b>12,771</b>	<b>14,198</b>	<b>11%</b>	<b>4,620</b>	<b>5,010</b>	<b>8%</b>
Other Income	2,126	1,963	-8%	165	382	132%
<b>Total Revenue</b>	<b>14,897</b>	<b>16,161</b>	<b>8%</b>	<b>4,785</b>	<b>5,392</b>	<b>13%</b>
Personnel Expenses	5,513	6,260	14%	1,912	2,136	12%
Other Expenses	2,372	2,408	2%	845	789	-7%
<b>Total Expenses</b>	<b>7,885</b>	<b>8,668</b>	<b>10%</b>	<b>2,757</b>	<b>2,925</b>	<b>6%</b>
<b>Profit before depreciation, prior period adjustments, exceptional items &amp; tax</b>	<b>7,012</b>	<b>7,493</b>	<b>7%</b>	<b>2,028</b>	<b>2,467</b>	<b>22%</b>
Depreciation	265	249	-6%	92	90	-2%
<b>Profit before prior period adjustments, exceptional items &amp; tax</b>	<b>6,747</b>	<b>7,244</b>	<b>7%</b>	<b>1,936</b>	<b>2,377</b>	<b>23%</b>
Prior Period Adjustments	765	-	-	-	-	-
<b>Profit before exceptional items &amp; tax</b>	<b>5,982</b>	<b>7,244</b>	<b>21%</b>	<b>1,936</b>	<b>2,377</b>	<b>23%</b>
Exceptional items	-	345	-	-	-	-
<b>PBT</b>	<b>5,982</b>	<b>6,899</b>	<b>15%</b>	<b>1,936</b>	<b>2,377</b>	<b>23%</b>
Taxes	1,670	2,375	42%	663	824	24%
<b>PAT</b>	<b>4,312</b>	<b>4,524</b>	<b>5%</b>	<b>1,273</b>	<b>1,553</b>	<b>22%</b>
<b>Operating Profits (PBDIT)</b>	<b>4,121</b>	<b>5,530</b>	<b>34%</b>	<b>1,863</b>	<b>2,085</b>	<b>12%</b>
<b>Operating Profits (PBDIT) *</b>	<b>4,886</b>	<b>5,530</b>	<b>13%</b>	<b>1,863</b>	<b>2,085</b>	<b>12%</b>
<b>Key Ratios</b>						
PBT (before exceptional items)/Total Income	40.2%	44.8%		40.5%	44.1%	
Operating PBDIT/Operating Income	32.3%	38.9%		40.3%	41.6%	
Operating PBDIT/Operating Income *	38.3%	38.9%		40.3%	41.6%	
Tax/PBT	27.9%	34.4%		34.2%	34.7%	

Exceptional item represents impairment of investment and expected obligations in Indonesia towards closure of business

\* Excluding prior period adjustments

# ICRA: Challenges & Risk Factors

- ☐ Policy measures not resulting in revival and demand conditions still remain subdued across sectors
- ☐ Hardening of yields leading to lower debt market issuance
- ☐ 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, plus increasing share of smaller-ticket business



## Performance Review: ICRA Group

## ICRA Group: Financial Highlights Q3 FY16 Vs Q3 FY15

- ❑ Operating Income grew by 5%
- ❑ Non Operating Income grew by 86%
- ❑ Total Income up by 8%
- ❑ Operating Profits grew by 7%
- ❑ EBITDA grew at 13%

## ICRA Group: Consolidated Financials

Particulars (Rs. Lakh)	FY 15 YTD	FY 16 YTD	Growth %	FY 15 Q3	FY 16 Q3	Growth %
Ratings	12,907	14,375	11%	4,667	5,082	9%
Consultancy	2,030	2,112	4%	728	768	5%
Outsourced and Information Services	2,414	3,048	26%	894	1,105	24%
IT related (Sales & Professional)	5,531	5,379	-3%	2,010	1,799	-10%
<b>Total Operating Revenue</b>	<b>22,882</b>	<b>24,914</b>	<b>9%</b>	<b>8,299</b>	<b>8,754</b>	<b>5%</b>
Other Income	2,284	2,216	-3%	225	419	86%
<b>Total Revenue</b>	<b>25,166</b>	<b>27,130</b>	<b>8%</b>	<b>8,524</b>	<b>9,173</b>	<b>8%</b>
<b>Profit before interest, depreciation, prior period adjustments, exceptional items &amp; tax</b>	<b>8,749</b>	<b>9,468</b>	<b>8%</b>	<b>2,934</b>	<b>3,317</b>	<b>13%</b>
Interest	150	55	-63%	51	-	-100%
<b>Profit before depreciation, prior period adjustments, exceptional items &amp; tax</b>	<b>8,599</b>	<b>9,413</b>	<b>9%</b>	<b>2,883</b>	<b>3,317</b>	<b>15%</b>
Depreciation	701	673	-4%	245	258	5%
<b>Profit before prior period adjustments, exceptional items &amp; tax</b>	<b>7,898</b>	<b>8,740</b>	<b>11%</b>	<b>2,638</b>	<b>3,059</b>	<b>16%</b>
Prior Period Adjustments	897	-		-	-	
<b>Profit before exceptional items &amp; tax</b>	<b>7,001</b>	<b>8,740</b>	<b>25%</b>	<b>2,638</b>	<b>3,059</b>	<b>16%</b>
Exceptional items	413	-		-	-	
<b>PBT</b>	<b>6,588</b>	<b>8,740</b>	<b>33%</b>	<b>2,638</b>	<b>3,059</b>	<b>16%</b>
Taxes	2,339	3,033	30%	854	1,070	25%
<b>PAT (before minority interest)</b>	<b>4,249</b>	<b>5,707</b>	<b>34%</b>	<b>1,784</b>	<b>1,989</b>	<b>11%</b>

## ICRA Group: Consolidated Financials

Revenue Contribution	FY 15 YTD	FY 16 YTD	FY 15 Q3	FY 16 Q3
Ratings	56%	58%	56%	58%
Consultancy	9%	8%	9%	9%
Outsourced and Information Services	11%	12%	11%	13%
IT related (Sales & Professional)	24%	22%	24%	21%
<b>Total Operating Income</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Segment-wise OPBDIT contribution	FY 15 YTD	FY 16 YTD	FY 15 Q3	FY 16 Q3
Ratings	72%	76%	66%	74%
Consultancy	4%	3%	3%	4%
Outsourced and Information Services	10%	13%	11%	13%
IT related (Sales & Professional)	14%	8%	20%	9%
<b>Total OPBIT *</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

\*Excluding prior period adjustments

# ICRA Group: Consolidated Financials

Profitability-Related Indicators	FY 15	FY 16	FY 15	FY 16
	YTD	YTD	Q3	Q3
<b>Segment-wise OPBDIT margins*</b>				
Ratings PBDIT margins	36%	39%	38%	42%
Consulting PBDIT margins	12%	11%	13%	15%
Outsourcing and Information PBDIT margins	27%	31%	33%	33%
IT PBDIT margins	16%	10%	26%	14%

\* Excluding prior period adjustments

## ICRA Group Update: Advisory Services

- ❑ **Revenue grew by 5% in Q3 FY16 as compared to Q3 FY15**
  - Conversion cycles continue to be longer delaying deal closure
  - Pricing pressure from competition on account of sluggish business environment continue
  - Flood situation in Chennai adversely impacted revenue growth
- ❑ **Operating margin went up from 13% to 15%**
  - Better management of expenses
  - Higher share of repeat business
- ❑ **Challenges**
  - Attracting talent as several sectors in the Indian economy are competing for the same HR pool
  - Sales cycle still expected to be longer than usual as several clients still ambivalent on their short term prospects

# ICRA Group Update: Outsourcing & Information Services

- ❑ **Revenue grew 24% in Q3 FY16 as compared to Q3 FY15**
  - Revenue from outsourcing services grew primarily on account of growth in existing business. There was 7% benefit on account of INR depreciation
- ❑ **Operating margin slightly increased from 33.2% in Q3 FY15 to 33.4% in Q3 FY16**
  - Operating Margin almost flat because of increase in cost due to capacity addition
- ❑ **Challenges**
  - To expand global client base; leverage existing client base for value-added services

# ICRA Group Update: IT Software Services (Consolidated)

- ❑ **Revenue decreased by 10% in Q3 FY16 as compared to Q3 FY15**
  - Revenue degrowth due to exit from certain non-core business segments and slow down in new orders
- ❑ **Operating margin decreased from 26% to 14%**
  - Decrease in margin mainly due to revenue drop because of exit from non core business
- ❑ **Challenges**
  - To acquire new customers in the face of competition from large IT organizations

## ***Disclaimer***

This Analyst Presentation contains 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.