



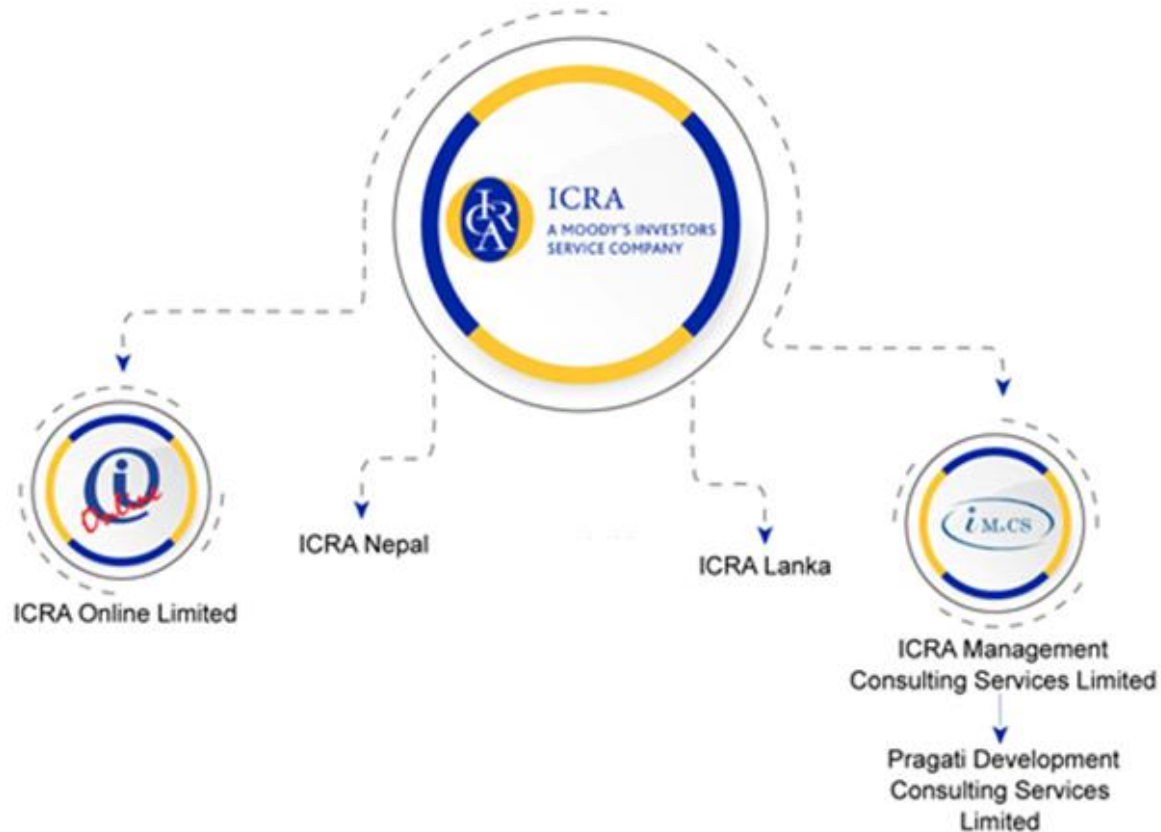
ICRA

A MOODY'S INVESTORS  
SERVICE COMPANY

# Investor Presentation, Q3 FY19

*January 24, 2019*

# ICRA Group Structure





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SERVICE COMPANY

## Performance Review: ICRA Limited

- Bank credit outstanding witnessed growth driven by Non Banking Financial Companies (NBFCs) and the retail segment.
- Growth in bond issuances was driven by easing of bond yields during the quarter, as well as substitution of short term debt with long term bonds by NBFCs. Simultaneously, commercial paper outstanding de-grew 10.3% (q-o-q) in Q3 FY19.
- Structured Finance volumes grew strongly at ~130% in Q3 FY19, as NBFCs sold large volumes to refinance short term liabilities.

# ICRA Standalone: Financial Highlights

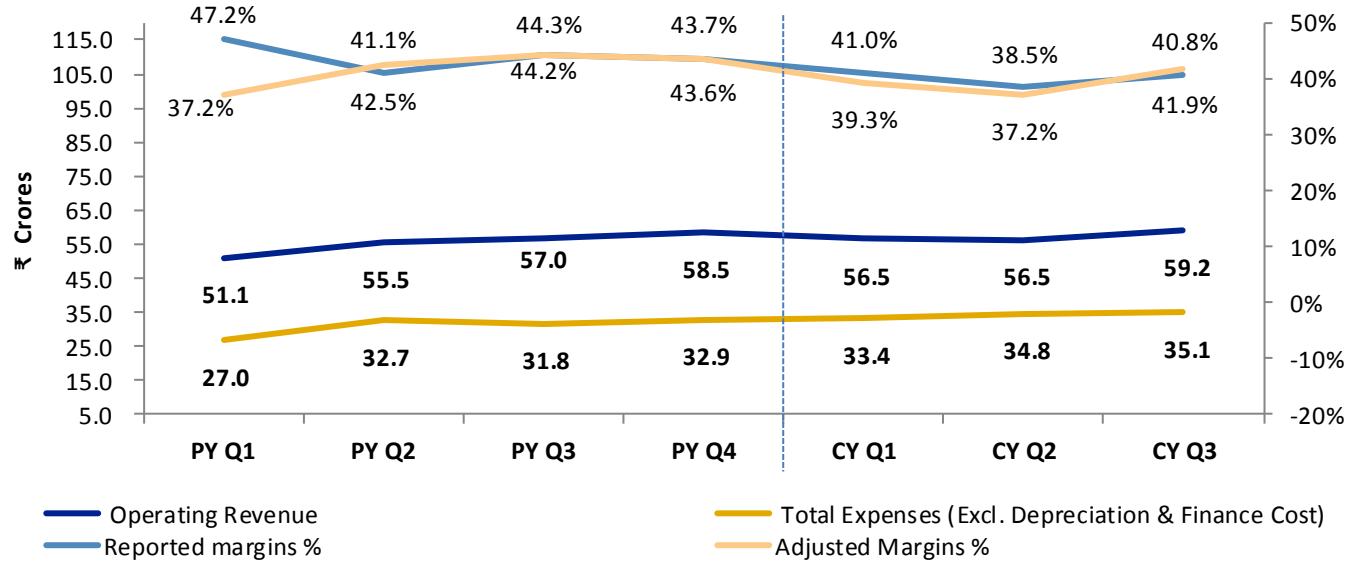
- For the quarter ended December 31, 2018 the Company's operating income was ₹59.2 crore, as against ₹57.0 crore in the corresponding quarter of the previous financial year, reflecting a growth of 3.9%, primarily because of growth in financial sector issuances and securitization.
- The other income in the quarter increased by 14.3% compared to corresponding quarter of the previous financial year, mainly due to higher investment income.
- PBT for the quarter was ₹33.6 crore, reflecting a growth of 0.7%, against the corresponding quarter of the previous financial year.
- PAT for the quarter was ₹24.6 crore, 9.6% higher than the corresponding quarter in previous year, mainly due to lower tax rate in the current year.
- The applicable base tax rate effective from FY 2018-19 is 25%, compared to 30% till March 2018.
- The buyback of ₹85.40 crore was concluded during the quarter, from the open market through the stock exchange mechanism. The company has bought back ~2.52 lakh equity shares, at an average price of ₹3,388.18 per share, deploying ₹85.399 crore, representing 99.999% of the buyback size.

# ICRA Standalone: Financials

Particulars (Rs. Crore)	Standalone					
	FY 18 Q3	FY 19 Q3	Variance %	FY 18 9M	FY 19 9M	Variance %
<b>Income</b>						
Revenue from operations	57.0	59.2	3.9%	163.6	172.2	5.2%
Other income	8.8	10.0	14.3%	35.1	34.4	-1.9%
<b>Total income</b>	<b>65.8</b>	<b>69.3</b>	<b>5.3%</b>	<b>198.7</b>	<b>206.7</b>	<b>4.0%</b>
<b>Expenses</b>						
Employee benefits expenses	24.4	26.8	10.1%	69.9	81.7	16.8%
Depreciation and amortisation expenses	0.7	0.6	-8.9%	2.0	1.7	-16.1%
Other expenses	7.4	8.2	11.4%	21.5	21.5	0.0%
<b>Total expenses</b>	<b>32.5</b>	<b>35.7</b>	<b>10.0%</b>	<b>93.5</b>	<b>104.9</b>	<b>12.2%</b>
<b>Profit before tax</b>	<b>33.3</b>	<b>33.6</b>	<b>0.7%</b>	<b>105.3</b>	<b>101.8</b>	<b>-3.3%</b>
Total tax expense	10.9	9.0	-17.6%	32.4	26.1	-19.4%
<b>Profit after tax</b>	<b>22.4</b>	<b>24.6</b>	<b>9.6%</b>	<b>72.9</b>	<b>75.7</b>	<b>3.8%</b>
Other comprehensive income, net of income tax	(0.0)	(0.3)		0.1	(0.3)	
<b>Total comprehensive income</b>	<b>22.4</b>	<b>24.3</b>	<b>8.4%</b>	<b>73.0</b>	<b>75.4</b>	<b>3.3%</b>
<b>Operating margins%</b>	<b>44.3%</b>	<b>40.8%</b>		<b>44.1%</b>	<b>40.1%</b>	
<b>Adjusted margins%*</b>	<b>44.2%</b>	<b>41.9%</b>		<b>41.7%</b>	<b>39.5%</b>	

\* Adjustments mainly pertain to (i) impact of Ind AS115 (ii) change in accounting practice for provision of doubtful debts (iii) reversal of provisions on account of variable compensation (iv) corporate actions.

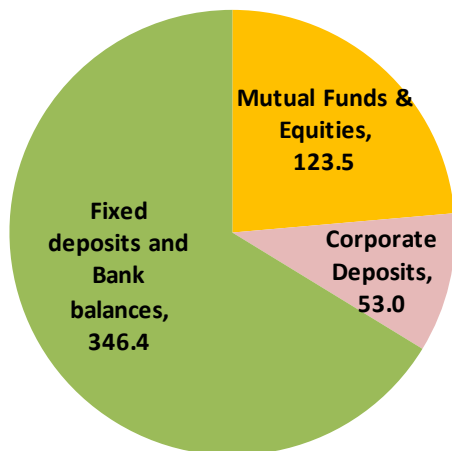
# ICRA Standalone: Profit & Loss (Quarterly Performance)



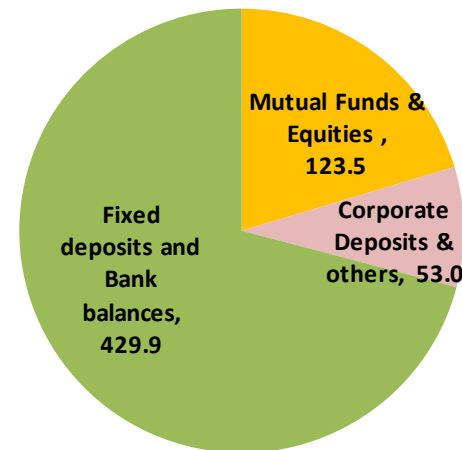
ICRA Ratings (₹ Crores)	PY Q1	PY Q2	PY Q3	PY Q4	CY Q1	CY Q2	CY Q3
Operating Revenue	51.1	55.5	57.0	58.5	56.5	56.5	59.2
Total Expenses (Excl. Depreciation & Finance Cost)	27.0	32.7	31.8	32.9	33.4	34.8	35.1
Reported margins %	47.2%	41.1%	44.3%	43.7%	41.0%	38.5%	40.8%
Adjusted Margins %	37.2%	42.5%	44.2%	43.6%	39.3%	37.2%	41.9%

# ICRA: Investments as on December 31, 2018

**ICRA Investments Standalone (₹ 522.9 Cr)**



**ICRA Investments Group (₹ 606.4 Cr)**



- Yield of 7.65% (CAGR) on MF, 7.25 % on Bank deposits, 7.40% 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



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## Performance Review: ICRA Group

# ICRA Group: Financial Highlights

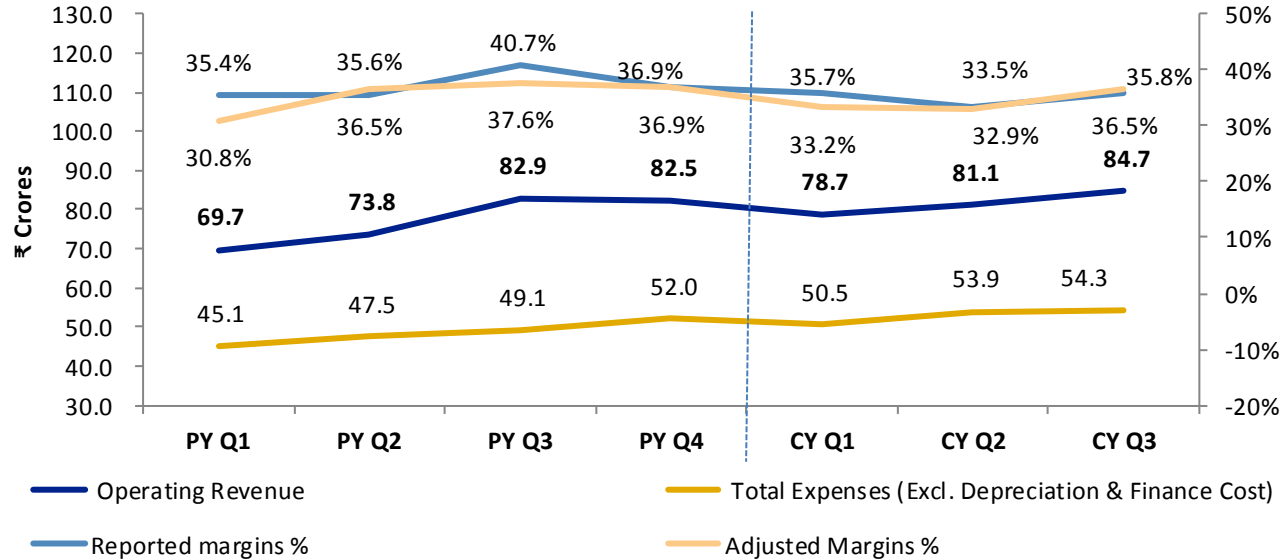
- For the quarter ended December 31, 2018, consolidated operating income was ₹ 84.7 crore, as against ₹ 82.9 crore in the corresponding quarter of the previous financial year, reflecting a growth of 2.2%.
- The other income in the quarter increased by 11% as compared to corresponding quarter of the previous financial year.
- PBT for the quarter was lower by 4.2% at ₹ 39.9 crore, as against ₹ 41.7 crore in the corresponding quarter.
- PAT for the quarter was ₹ 26.5 crore, almost at the same level as the corresponding quarter of the previous financial year, mainly due to lower tax rate in the current year.

# ICRA Group: Consolidated Financials

Particulars (Rs. crores)	ICRA Consolidated					
	FY 18 Q3	FY 19 Q3	Variance %	FY 18 9M	FY 19 9M	Variance %
<b>Income</b>						
Revenue from operations	82.9	84.7	2.2%	226.4	244.4	8.0%
Other income	9.9	11.0	11.0%	32.2	33.2	3.1%
<b>Total income</b>	<b>92.8</b>	<b>95.7</b>	<b>3.1%</b>	<b>258.6</b>	<b>277.6</b>	<b>7.3%</b>
<b>Expenses</b>						
Employee benefits expenses	36.5	39.7	8.8%	104.6	121.0	15.6%
Depreciation and amortisation expenses	2.0	1.4	-29.6%	5.5	4.0	-27.8%
Other expenses	12.6	14.6	15.8%	37.1	37.9	2.0%
<b>Total expenses</b>	<b>51.1</b>	<b>55.7</b>	<b>9.1%</b>	<b>147.3</b>	<b>162.8</b>	<b>10.5%</b>
<b>Profit before tax</b>	<b>41.7</b>	<b>39.9</b>	<b>-4.2%</b>	<b>111.3</b>	<b>114.7</b>	<b>3.1%</b>
Total tax expenses	15.2	13.4	-11.3%	37.6	36.2	-3.7%
<b>Profit after tax</b>	<b>26.5</b>	<b>26.5</b>	<b>-0.2%</b>	<b>73.6</b>	<b>78.5</b>	<b>6.6%</b>
Other comprehensive income, net of income tax	0.0	(0.6)		0.0	(0.6)	
<b>Total comprehensive income</b>	<b>26.5</b>	<b>25.8</b>	<b>-2.5%</b>	<b>73.7</b>	<b>77.9</b>	<b>5.8%</b>
<b>Operating margins%</b>	<b>40.7%</b>	<b>35.8%</b>		<b>37.4%</b>	<b>35.0%</b>	
<b>Adjusted margins%*</b>	<b>37.6%</b>	<b>36.5%</b>		<b>35.3%</b>	<b>34.3%</b>	

\* Adjustments mainly pertain to (i) impact of Ind AS115 (ii) change in accounting practice for provision of doubtful debts (iii) reversal of provisions on account of variable compensation (iv) higher provision and cost over-runs on legacy contracts (v) Export incentives and (vi) corporate actions

# ICRA Group: Profit & Loss (Quarterly Performance)



ICRA Group (₹ Crores)	PY Q1	PY Q2	PY Q3	PY Q4	CY Q1	CY Q2	CY Q3
Operating Revenue	69.7	73.8	82.9	82.5	78.7	81.1	84.7
Total Expenses (Excl. Depreciation & Finance Cost)	45.1	47.5	49.1	52.0	50.5	53.9	54.3
Reported margins %	35.4%	35.6%	40.7%	36.9%	35.7%	33.5%	35.8%
Adjusted Margins %	30.8%	36.5%	37.6%	36.9%	33.2%	32.9%	36.5%

# ICRA Group: Segment-wise Composition

Revenue Composition (Adjusted)	Q3 FY 18 Rs. Cr	FY 18 %	Q3 FY 19 Rs. Cr	FY 19 %
Ratings	59.6	75.3%	60.8	72.2%
Consultancy	6.3	7.9%	5.1	6.0%
Outsourced and Information Services	13.3	16.8%	18.3	21.7%
<b>Total Operating Income</b>	<b>79.1</b>	<b>100.0%</b>	<b>84.2</b>	<b>100.0%</b>

Adjusted margins absolute	Q3 FY 18 Rs. Cr	FY 18 %	Q3 FY 19 Rs. Cr	FY 19 %
Ratings	26.3	88.5%	25.5	83.0%
Consultancy	(0.0)	-0.1%	(1.1)	-3.7%
Outsourced and Information Services	3.5	11.6%	6.4	20.7%
<b>Total Segmental Profits (OPBDIT)</b>	<b>29.8</b>	<b>100.0%</b>	<b>30.8</b>	<b>100%</b>

Revenue Composition (Adjusted)	9M FY 18 Rs. Cr	FY 18 %	9M FY 19 Rs. Cr	FY 19 %
Ratings	169.9	75.6%	175.5	72.7%
Consultancy	16.9	7.5%	14.1	5.9%
Outsourced and Information Services	37.8	16.8%	51.9	21.5%
<b>Total Operating Income</b>	<b>224.7</b>	<b>100%</b>	<b>241.5</b>	<b>100%</b>

Adjusted margins absolute	9M FY 18 Rs. Cr	FY 18 %	9M FY 19 Rs. Cr	FY 19 %
Ratings	71.6	90.4%	69.8	84.4%
Consultancy	(2.6)	-3.2%	(4.3)	-5.2%
Outsourced and Information Services	10.1	12.8%	17.2	20.8%
<b>Total Segmental Profits (OPBDIT)</b>	<b>79.2</b>	<b>100%</b>	<b>82.8</b>	<b>100%</b>

## Consulting Services

- The revenue growth and profitability has been adversely impacted because of the de-emphasis on certain non-profitable segments, a strategic shift, higher expenses pertaining to business development initiatives and adverse impact of few legacy contracts.

## Outsourcing and Information Services

- Operating revenue recorded a growth of 40% (excluding export incentive) against the corresponding quarter of the previous year, driven by growth in domestic and global businesses, including benefit of rupee decline.

## Merger of two wholly-owned subsidiaries

- The Board had approved the merger of two of its wholly-owned subsidiaries - ICRA Management Consulting Services Limited, involved in consulting services, with and into ICRA Online Limited, which is involved in outsourcing and information services, subject to requisite approvals. Pursuant to the aforesaid approval, the merger is in progress with the regulatory authorities.

*This Investor 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/or “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.*

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