



ICRA Limited

Analyst Presentation, Q1 2015-16

14th August' 2015



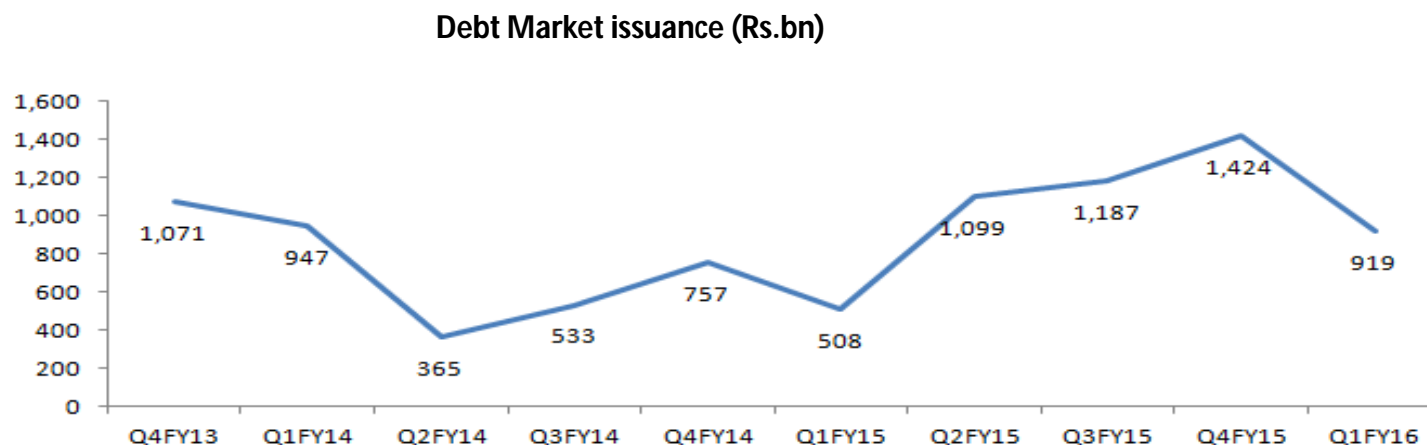
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Performance Review: ICRA Limited

Rating Performance Highlights Q1 FY2015

- ❑ Economic pick-up still muted – the anticipated revival in capex / investment cycle still appears to be a couple of quarters away
- ❑ Debt market growth spurred by credit substitution and re-financing with lower interest rates; shift from bank credit which has had more sticky interest rates
- ❑ Moderate improvement in market share (BLR + Debt)
- ❑ Competitive intensity remains high especially in the BLR segment
- ❑ Growth in BLR revenues moderated due to slow down in bank credit growth

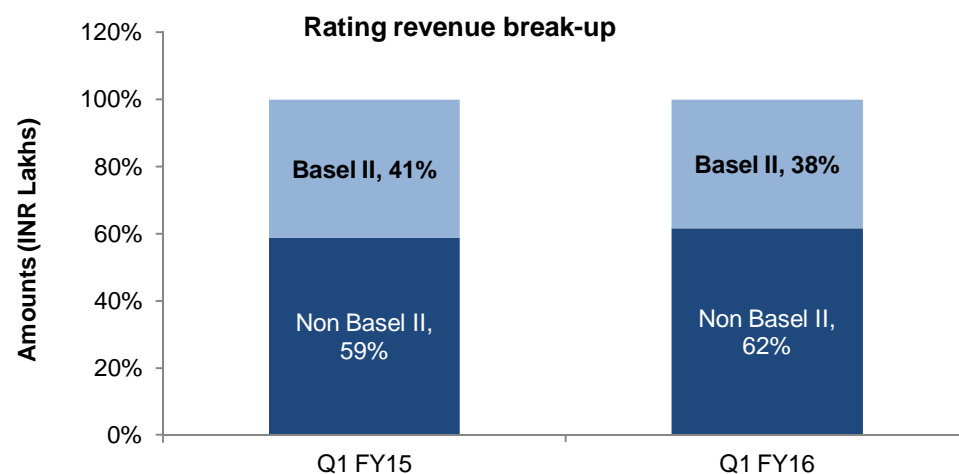
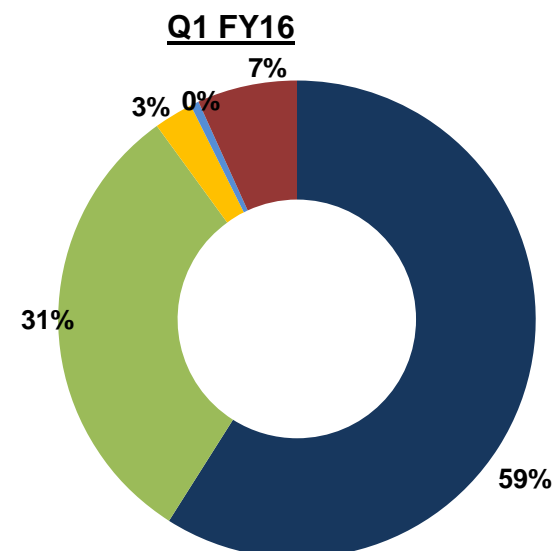
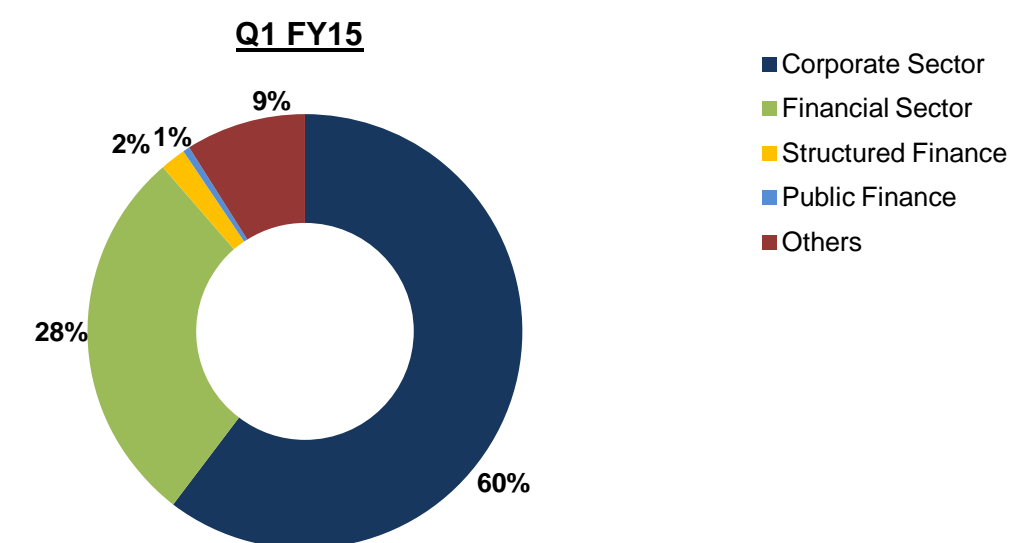


ICRA: Standalone Financials

Particulars (Rs. Lakh)	2014-15 Q1	2015-16 Q1	Gr % YoY
Operating Income	3,671	4,308	17%
Other Income	1,238	773	-38%
Total Income	4,909	5,081	4%
Personnel Expenses	1,782	2,025	14%
Administrative Expenses	289	260	-10%
Other Expenses	425	597	40%
Total Expenses	2,496	2,882	15%
Profit before depreciation, prior period adjustments, exceptional items & tax	2,413	2,199	-9%
Depreciation	58	76	31%
Profit before exceptional items & tax	2,355	2,123	-10%
Exceptional items	0	325	
PBT	2,355	1,798	-24%
Taxes	415	739	78%
PAT	1,940	1,059	-45%
Operating Profits (PBDIT)	1,175	1,426	21%
Key Ratios			
PBT (before exceptional items)/Total Income	48%	42%	
Operating PBDIT/Operating Income	32%	33%	
Tax/PBT	18%	41%	

- Operating income , adjusted for the change in accounting practice relating to fresh rating fees, grew by 14%
- Non Operating Income lower by 38% due to lower redemption of MFs and rollover of FMPs
- Exceptional item represents impairment of existing investment and expected obligations in Indonesia towards closure of business
- Tax rate in previous quarter was lower as capital gains on MFs was exempt from tax

ICRA - Segment-wise Revenues*



- Healthy growth in financial and structured finance sectors; though contribution of these segments to the total revenue continues to be lower vis a vis corporate sector.
- De-growth in 'Others' segment primarily due to dip in SME and Grading services.

*Based on old accounting practice for comparison

ICRA: Challenges & Risk Factors

- ☐ Policy measures not resulting in revival and demand conditions still remain subdued across sectors
- ☐ Protracted slowdown/disruption in domestic debt/capital markets/bank credit
- ☐ 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, plus increasing share of smaller-ticket business

Performance Review: ICRA Group

ICRA Group: Financial Highlights Q1-15 Vs Q1-14

- ❑ Group Operating Revenue grew by 13%
- ❑ Non Operating Income declined by 30%
- ❑ Group Total Revenue up by 6%
- ❑ Operating Profits grew by 11%
- ❑ Profit before interest, depreciation, prior period adjustments, exceptional items & tax went down by 6%

ICRA Group: Consolidated Financials

Particulars (Rs Lakh)	2014-15	2015-16	Gr %
	Q1	Q1	YoY
Ratings	3,717	4,311	16%
Consultancy	626	649	4%
Outsourced and Information Services	721	966	34%
IT related (Sales & Professional)	1,754	1,747	0%
Other Operating Income	3	26	767%
Total Operating Income	6,821	7,699	13%
Other Income	1,277	896	-30%
Total Income	8,098	8,595	6%
Profit before interest, depreciation, prior period adjustments, exceptional items & tax	2,982	2,797	-6%
Interest	48	26	-46%
Profit before depreciation, prior period adjustments, exceptional items & tax	2,934	2,771	-6%
Depreciation	183	194	6%
PBT	2,751	2,577	-6%
Taxes	565	925	64%
PAT (before minority interest)	2,186	1,652	-24%
Minority interest	4	1	
PAT (after minority interest)	2,182	1,651	-24%

ICRA Group: Consolidated Financials

Revenue Contribution	2014-15 Q1	2015-16 Q1
Ratings	54%	56%
Consultancy	9%	8%
Outsourced and Information Services	11%	13%
IT related (Sales & Professional)	26%	23%
Total Operating Income	100%	100%

Segment-wise OPBDIT contribution	2014-15 Q1	2015-16 Q1
Ratings	67%	72%
Consultancy	3%	1%
Outsourced and Information Services	10%	15%
IT related (Sales & Professional)	21%	12%
Total OPBIT	100%	100%

ICRA Group: Consolidated Financials

Profitability Related Indicators	2014-15	2015-16
	Q1	Q1
Segment-wise OPBDIT margins		
Ratings PBDIT margins	31%	32%
Consulting PBDIT margins	8%	4%
Outsourcing and Information PBDIT margins	23%	29%
IT PBDIT margins	20%	13%

ICRA Group Update: Advisory Services

- ❑ **Revenue grew by 4% in Q1 2016 (after accounting policy change)**
 - Sluggish business conditions continue to impact consulting business
 - Pricing pressures remain amidst stiff competition
 - Execution of ongoing projects was lower than expected
- ❑ **Operating Margin went down from 8% to 4%**
 - Due to muted business growth and high operating leverage

ICRA Group Update: Outsourcing & Information Services

- ❑ **Revenue grew by 34%**

Revenue from outsourcing services grew by 35% primarily on account of growth in volumes

- ❑ **Operating Margin went up from 23% to 29% this year**

Significant expansion in operating margins benefitting from operating leverage
Forex related benefit also aided margin improvement

- ❑ **Challenges**

To expand global client base; leverage existing domestic client base for value-added services

ICRA Group Update: IT Software Services (Consolidated)

- ❑ **Operating Revenue was flat in Q1' 15-16**
Impact of winding down certain non core business segments
- ❑ **Operating EBIDTA decreased to Rs. 2.34 Cr in Q1' 15-16 from Rs. 3.51 Cr in Q1' 14-15**
Operating EBIDTA was primarily affected due to lack of top line growth
- ❑ **Challenges**
To acquire new customers in the face of competition from large IT service providers

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