



ICRA Limited

Analyst Presentation, 2015-16
20th May' 2016

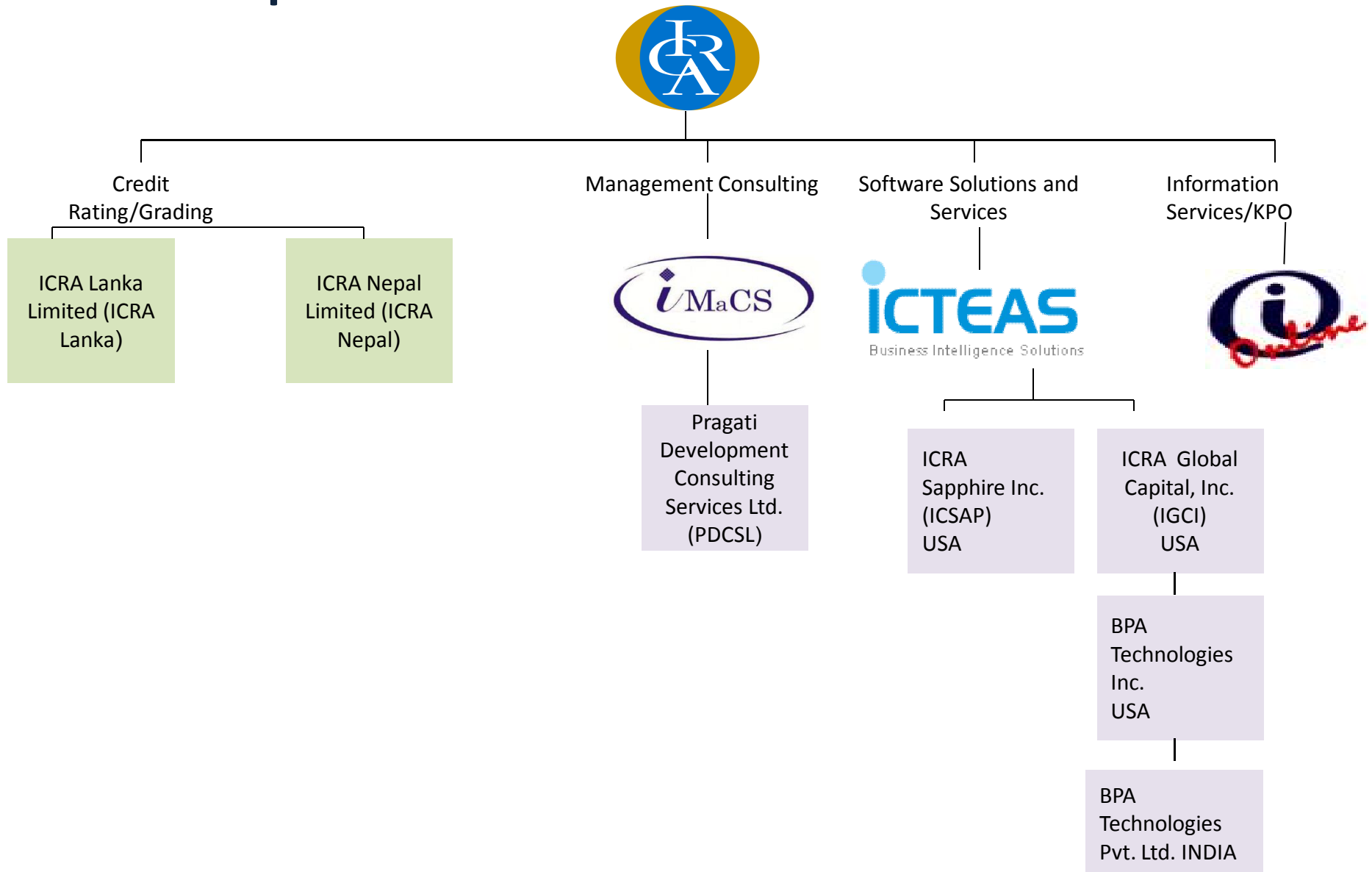


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Business Profile

ICRA Group Structure



About ICRA

- ❑ ICRA Limited was set up in 1991 as a full-service Credit Rating Agency by leading Indian financial/investment institutions, commercial banks and financial services companies as an independent and professional investment information and credit rating agency.
- ❑ Through its subsidiaries, ICRA offers consulting, outsourcing and professional & IT services.
- ❑ ICRA shares are listed on the BSE and the National Stock Exchange. ICRA is majority-held by Moody's Group, which has 50.06% equity ownership stake in the Company.

Performance Review: ICRA Limited

ICRA Standalone: Financial Highlights

- ❑ For the financial year ended March 31, 2016, Company's operating income was Rs. 195.37 crore, as against Rs. 181.25 crore in the previous financial year, reflecting a growth of 8%, mainly due to growth in debt market related business.
- ❑ PBT (before prior period adjustments and exceptional items) for the financial year was Rs. 97.54 crore, reflecting a growth of 2%. PAT for FY 16 was Rs. 61.47 crore, higher by 22% due to lower impairment and no prior period items in FY 16.
- ❑ For the fourth quarter of FY 16, Company's total operating income was Rs. 53.38 crore, as against Rs. 53.54 crore in the corresponding quarter of the previous financial year. In terms of segments, the growth in debt market business and bank loan ratings was muted during Q4 FY 16.
- ❑ PBT (before prior period adjustments and exceptional items) for the quarter was Rs. 25.10 crore, lower by 10%, as compared to corresponding quarter of the previous financial year, due to CSR activities and few one-time expenses.
- ❑ PAT for the quarter was Rs. 16.23 crore, as against Rs. 7.30 crore (after impairment of investment in Indonesian subsidiary) in the corresponding quarter of the previous financial year.
- ❑ The Board of Directors of the Company has recommended, for approval of the members at the forthcoming Annual General Meeting, payment of dividend of Rs. 25 per equity share (250% of face value of Rs. 10 per equity share) for the financial year ended March16.

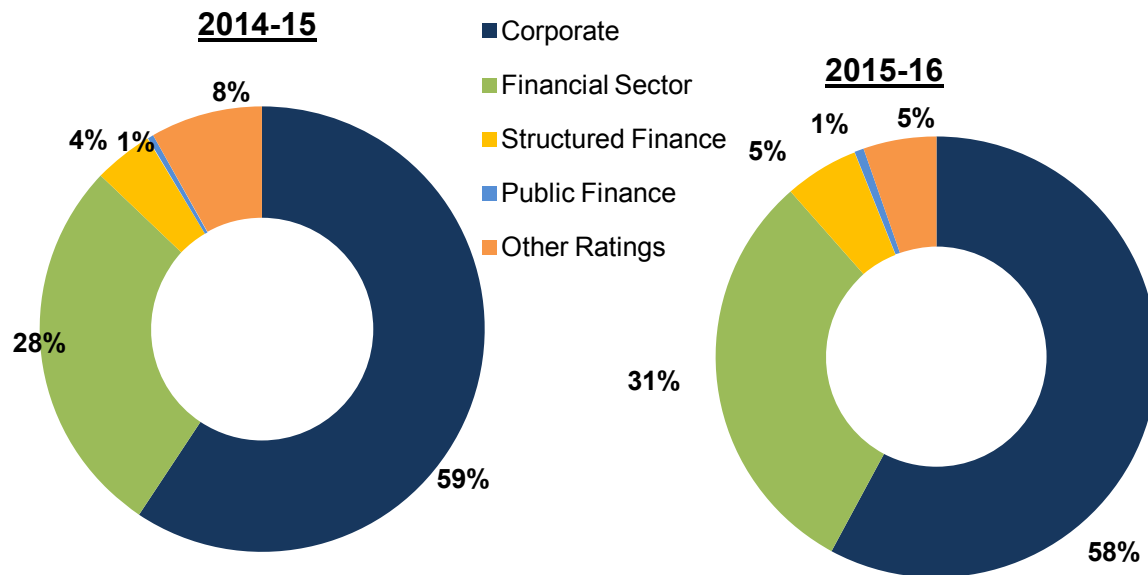
ICRA: Standalone Financials

Revenues: (Rs. Lakh)	FY 15	FY 16	Growth	FY 15	FY 16	Growth
			%	Q4	Q4	%
Operating Income	18,125	19,537	7.8%	5,354	5,338	-0.3%
Other Income	2,493	2,369	-5.0%	367	406	10.6%
Total Income	20,618	21,906	6.2%	5,721	5,744	0.4%
Profit before depreciation, prior period adjustments, exceptional items & tax	9,899	10,109	2.1%	2,887	2,616	-9.4%
Depreciation	369	355	-3.8%	104	106	1.9%
Profit before prior period adjustments, exceptional items & tax	9,530	9,754	2.4%	2,783	2,510	-9.8%
Prior Period Adjustments	765	0		0	0	
Profit before exceptional items & tax	8,765	9,754	11.3%	2,783	2,510	-9.8%
Exceptional items	1,152	345	-70.1%	1,152	0	-100.0%
PBT	7,613	9,409	23.6%	1,631	2,510	53.9%
Taxes	2,571	3,262	26.9%	901	887	-1.6%
PAT	5,042	6,147	21.9%	730	1,623	122.3%
Operating Profits (PBDIT)	6,641	7,740	16.5%	2,520	2,210	-12.3%
Operating Profits (PBDIT) *	7,406	7,740	4.5%	2,520	2,210	-12.3%
Key Ratios						
PBT (before exceptional items)/Total Income	42.5%	44.5%		48.6%	43.7%	
Operating PBDIT/Operating Income	36.6%	39.6%		47.1%	41.4%	
Operating PBDIT/Operating Income *	40.9%	39.6%		47.1%	41.4%	
Tax/PBT	33.8%	34.7%		55.2%	35.3%	

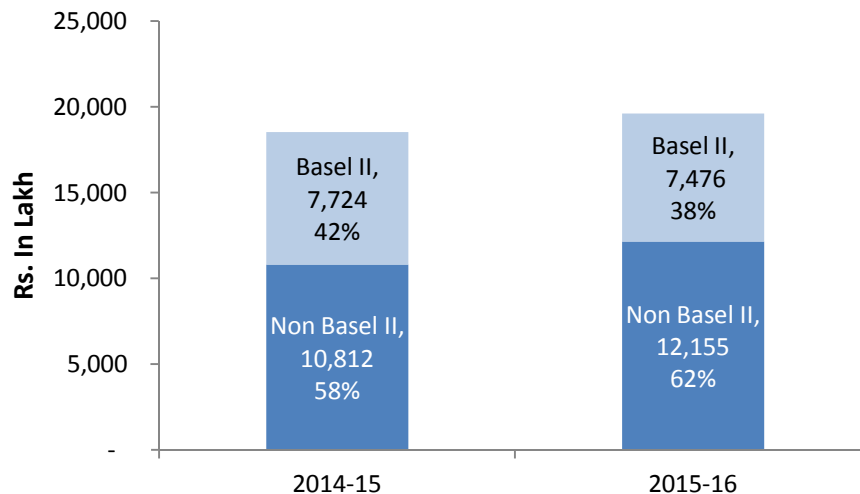
* (Excluding prior period adjustments)

Exceptional item represents Impairment of investment in PT ICRA Indonesia due to past recurring losses and lack of certainty to the extent of its recoverability in the future

ICRA: Segment-wise Revenues*



Revenue from Financial Sector and Structured Finance shows good growth.

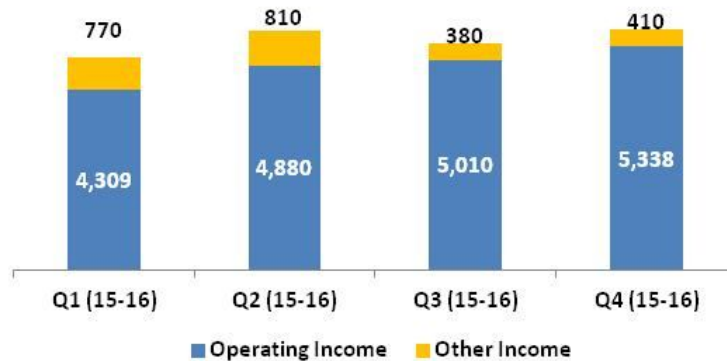


Income growth driven by debt market while Basel-II remained sluggish.

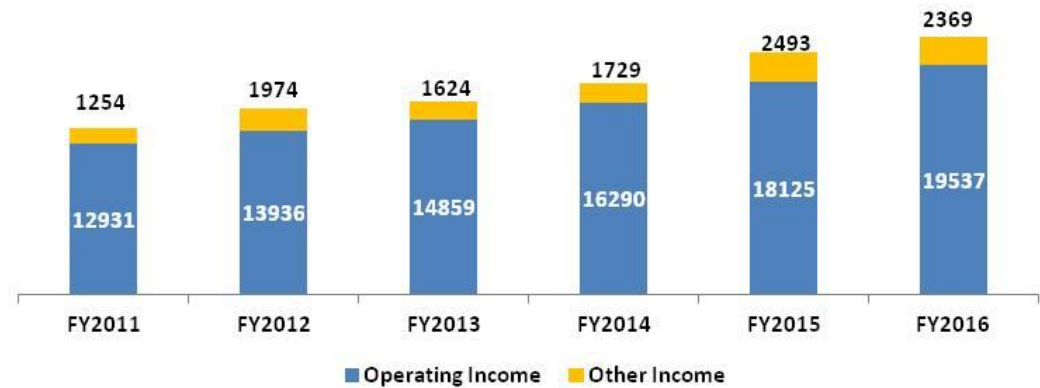
* As per billings, not as per revenue recognition in case of fresh ratings

ICRA: Trend in Financial Performance

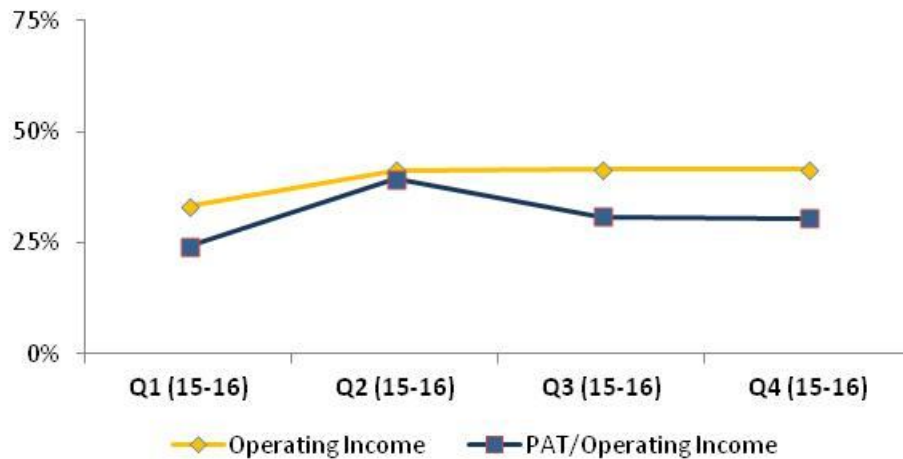
FY 16 Revenue (Rs. lakh)



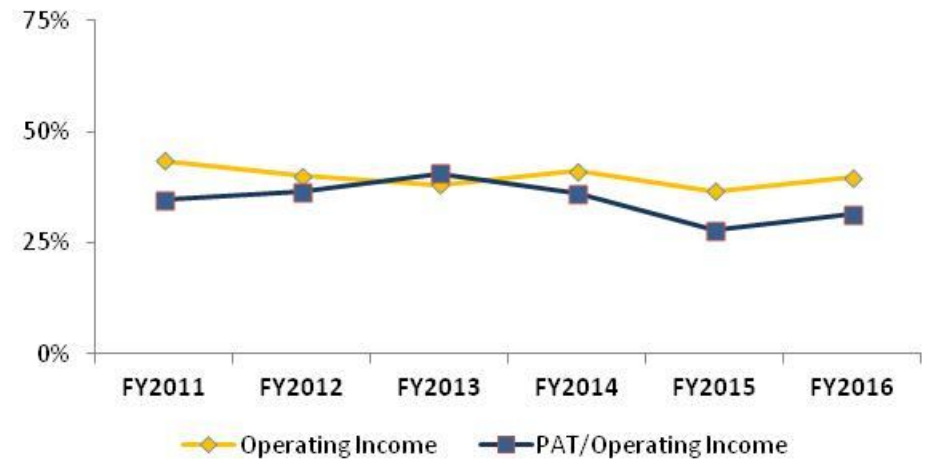
Y-o-Y Revenue (Rs. lakh)



FY 16 Key Ratios



Y-o-Y Key Ratios

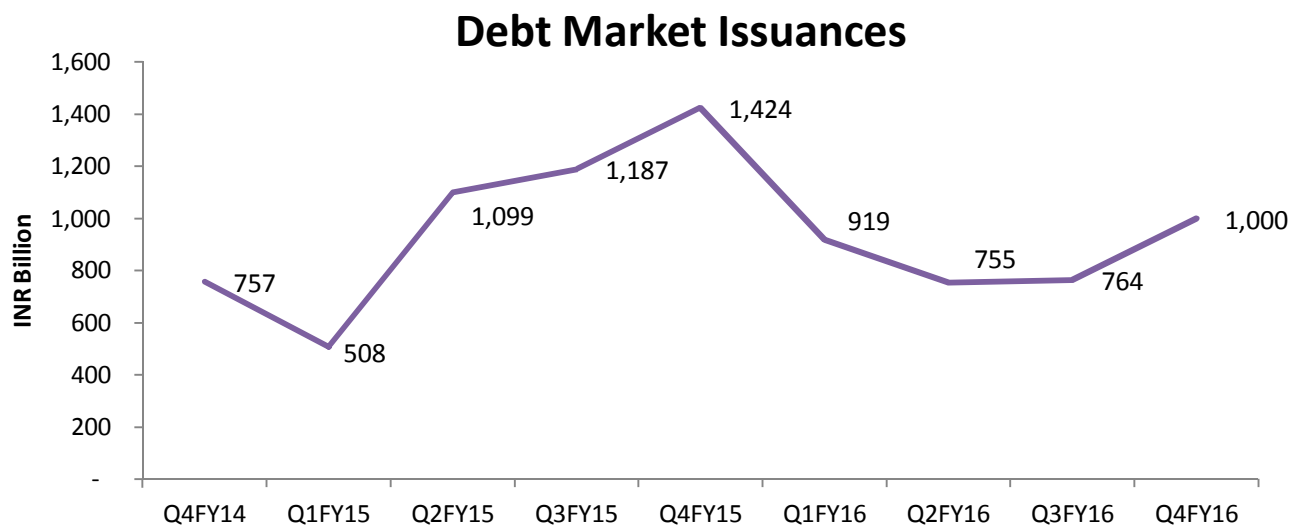


ICRA: Challenges & Risk Factors

- ☐ 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.

Operating Environment

- ❑ Economic activity continues to be subdued due to global and domestic factors
- ❑ Moderate Bank Credit growth ; Debt market issuances declined by 18.5% in FY 16 [though CP issuances saw robust growth]
 - Sluggish capex cycle
 - Deterioration in asset quality of banks
 - Restrictions by SEBI on MF exposure limits
 - Subdued investor sentiments due to weak corporate performance, leveraged corporate balance sheets and some high profile defaults
 - Firming up of bond yields in Q4 FY 16



Performance Review: ICRA Group

ICRA Group: Financial Highlights

- ❑ For the financial year ended March 31, 2016, consolidated operating income was Rs. 341.15 crore, as against Rs. 321.91 crore for the previous financial year, reflecting a growth of 6%, mainly due to growth in rating and outsourcing segments.
- ❑ Consolidated PBT (before prior period adjustments and exceptional items) for the financial year ended was Rs. 118 crore, reflecting a growth of 4%.
- ❑ Consolidated PAT (after minority interest) was at Rs. 76.24 crore, higher by 16% as against previous financial year.
- ❑ Consolidated operating income was Rs. 92.01 crore for Q4 FY 16, as against Rs. 93.09 crore for the corresponding quarter of the previous financial year.
- ❑ Consolidated PBT (before prior period adjustments and exceptional items) was Rs. 30.59 crore, lower by 11%, as compared to the corresponding quarter of the previous financial year, due to CSR activities and few one-time expenses.
- ❑ Consolidated PAT (after minority interest) for the quarter was Rs. 19.34 crore, lower by 16%, as compared to the corresponding quarter of the previous financial year.

ICRA Group: Consolidated Financials

Revenues: (Rs. lakh)	FY 15 YTD	FY 16 YTD	Growth %	FY 15 Q4	FY 16 Q4	Growth %
Ratings	18,319	19,747	7.8%	5,411	5,371	-0.7%
Consultancy	2,956	2,854	-3.5%	926	742	-19.9%
Outsourced and Information Services	3,358	4,194	24.9%	943	1,147	21.6%
Professional & IT Related	7,559	7,320	-3.2%	2,029	1,941	-4.3%
Total Operating Income	32,192	34,115	6.0%	9,309	9,201	-1.2%
Other Income	2,623	2,708	3.2%	339	491	44.8%
Total Income	34,815	36,823	5.8%	9,648	9,692	0.5%
Profit before interest, depreciation, prior period adjustments, exceptional items & tax	12,517	12,813	2.4%	3,768	3,346	-11.2%
Interest	198	55	-72.2%	49	0	-100.0%
Profit before depreciation, prior period adjustments, exceptional items & tax	12,319	12,758	3.6%	3,719	3,346	-10.0%
Depreciation	966	958	-0.8%	265	284	7.2%
Profit before prior period adjustments, exceptional items & tax	11,353	11,800	3.9%	3,454	3,062	-11.3%
Prior Period Adjustments	897	0		0	0	
Profit before exceptional items & tax	10,456	11,800	12.9%	3,454	3,062	-11.3%
Exceptional items	413	0		0	0	
PBT	10,043	11,800	17.5%	3,454	3,062	-11.3%
Taxes	3,485	4,157	19.3%	1,146	1,124	-1.9%
PAT (before minority interest)	6,558	7,643	16.5%	2,308	1,938	-16.0%

ICRA Group: Segment wise Composition

	FY 15	FY 16
Revenue Composition		
Ratings	57%	58%
Consultancy	9%	8%
Outsourced and Information Services	10%	12%
Professional & IT related	23%	21%
Total Operating Income	100%	100%

	FY 15	FY 16
Segment wise Operating Margin Composition*		
Ratings	72%	76%
Consultancy	5%	3%
Outsourced and Information Services	10%	14%
Professional & IT related	12%	7%
Total Operating margins	100%	100%

* Excluding prior period adjustments

ICRA Group: Segment wise Operating Margins

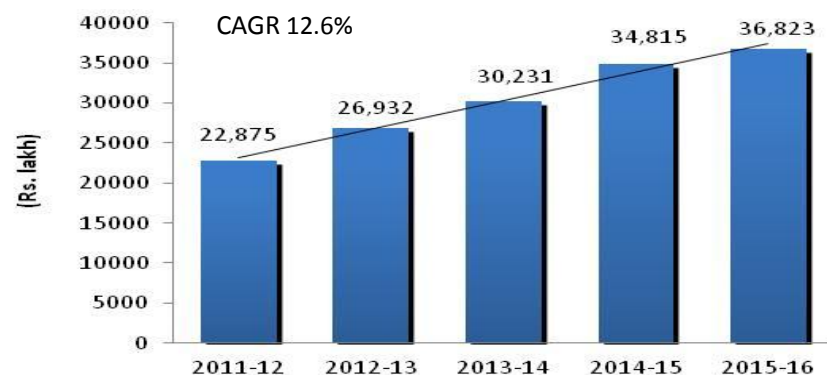
Segment wise Operating Margin	FY 15	FY 16
Ratings	35%	39%
Consulting	18%	9%
Outsourcing and Information	28%	33%
Professional & IT related	16%	10%

Segment wise Operating Margin*	FY 15	FY 16
Ratings	39%	39%
Consulting	18%	9%
Outsourcing and Information	29%	33%
Professional & IT related	16%	10%

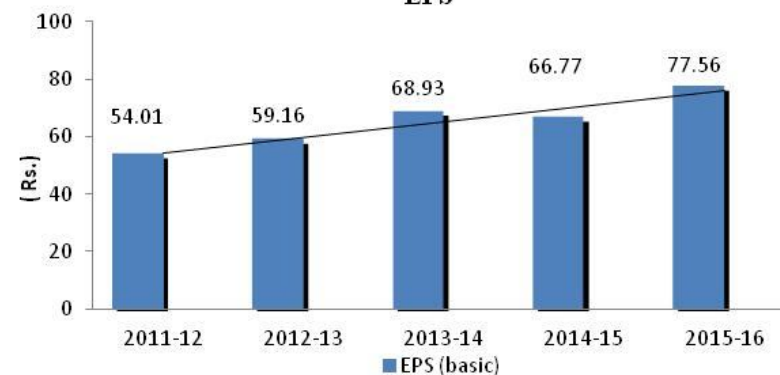
* Excluding prior period adjustments

ICRA Group: Performance Over the Years

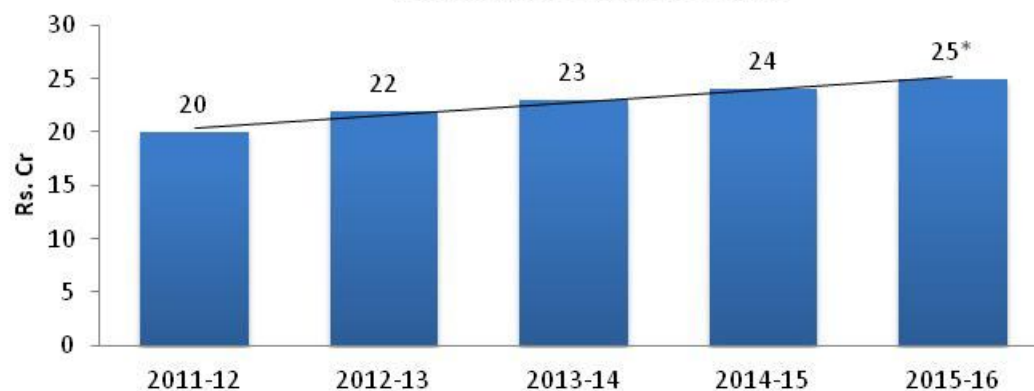
Total Income



EPS



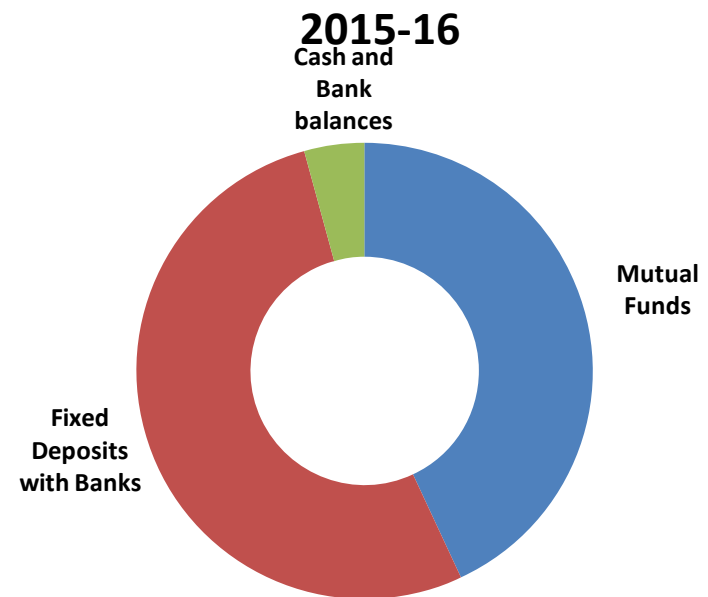
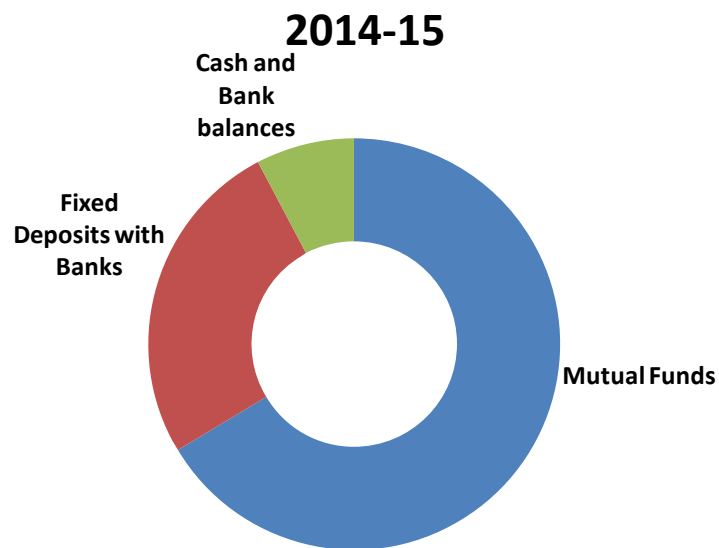
Dividend to Shareholders



**subject to shareholder's approval*

ICRA Group: Investment Portfolio

Investments (Rs. lakh)	2014-15	2015-16
Mutual Funds	25,731	18,475
Fixed Deposits with Banks	10,020	22,607
Cash and Bank balances	2,998	1,837
Total Liquid Investments	38,749	42,920



ICRA Group: Update on Advisory Services

❑ Revenue was lower by 3% in FY16.

- Headwinds in the economy and over-supply in the consulting/ Analytics space
- Intensifying competition for consulting and analytical services in a stagnant market
- Demand for professional services in India remained flat for the most part

❑ Operating Margin at 9% in FY 16, compared to 18% in FY 15

- Most of the expenditure fixed in nature, therefore decline in revenue led to fall in Operating margin

❑ Challenges

- To expand client base by focusing on services that are more profitable and recurrent in nature
- Corporates reticent to make investment

ICRA Group: Update on Outsourcing & Information Services

☐ Overall Revenue growth of 25%

- Revenue from outsourcing services grew primarily on account of growth in existing and new projects, both in domestic and global market. This growth includes 7% benefit due to INR depreciation

☐ Operating Margin at 33% in FY 16, compared to 29% in FY 15

☐ Challenges

- To expand offerings base to include higher value added services like analytics

ICRA Group: Update on Professional & IT Services

❑ Operating Revenue was lower by 3% in FY16

- De growth in revenue attributable to lower business from existing customers and winding down of operation in certain non strategic projects

❑ Operating Margin at 10% in FY 16, compared to 16% in FY 15

- Margins impacted because of lower revenue due to closure of certain non strategic projects and certain write off in relation to this closure

❑ Challenges

- To acquire new customers due to competition from large IT service providers

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.