



Analyst Presentation, Q2 2015-16

10th November' 2015



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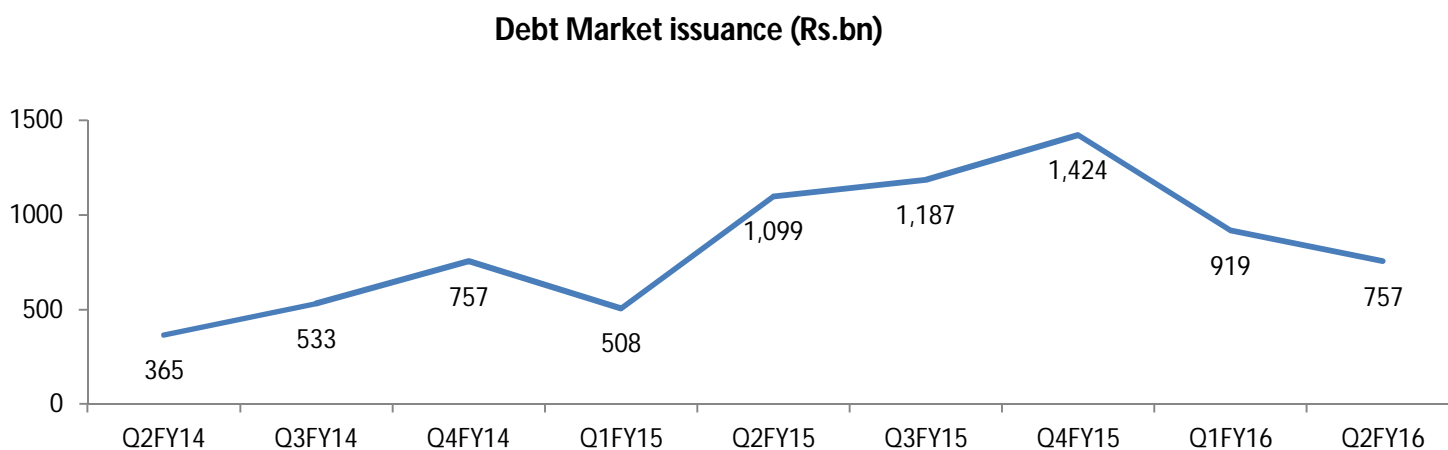
1. Performance Review: ICRA Limited
2. Performance Review: ICRA Group



Performance Review: ICRA Limited

Rating Performance Highlights Q2 FY2015

- ❑ Economic pick-up still muted – the anticipated revival in capex / investment cycle still appears to be a couple of quarters away
- ❑ Money Market issuances by way of Commercial Paper (CP) seen robust growth in current year. CP market grew with high liquidity resulting in favorable market rates in short term leading to substitution of bank lines by highly rated corporate.
- ❑ Debt issuances grew by 4% in H1 FY 16 with a y-o-y decline of 31% in Q2 FY 16. Debt issuances declined in Q2 as interest rates did not come down to extent expected and there were negligible issuances by banks as public sector banks awaited capital from GoI
- ❑ Bank Credit growth continues to be subdued, no large fresh sanctions from banks due to their cautious approach and lack of new projects



Source: Bloomberg

ICRA: Standalone Financials

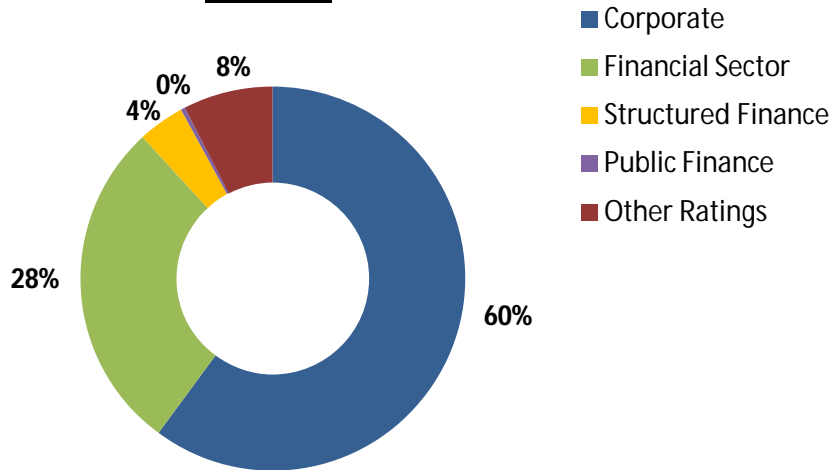
Particulars (Rs. Lakh)	FY 15	FY 16	Growth	FY 15	FY 16	Growth
	H1	H1	%	Q2	Q2	%
Operating Income	8,151	9,189	13%	4,393	4,880	11%
Other Income	1,960	1,581	-19%	722	808	12%
Total Income	10,111	10,770	7%	5,115	5,688	11%
Personnel Expenses	3,601	4,124	15%	1,819	2,099	15%
Other Expenses	1,527	1,619	6%	812	763	-6%
Total Expenses	5,128	5,743	12%	2,631	2,862	9%
Profit before depreciation, prior period adjustments, exceptional items & tax	4,983	5,027	1%	2,484	2,826	14%
Depreciation	173	160	-8%	114	83	-27%
Profit before prior period adjustments, exceptional items & tax	4,810	4,867	1%	2,370	2,743	16%
Prior Period Adjustments	765	-		679	-	
Profit before exceptional items & tax	4,045	4,867	20%	1,691	2,743	62%
Exceptional items	-	346		-	21	
PBT	4,045	4,521	12%	1,691	2,722	61%
Taxes	1,007	1,551	54%	592	811	37%
PAT	3,038	2,970	-2%	1,099	1,911	74%
Operating Profits (PBDIT)	2,258	3,446	53%	1,083	2,018	86%
Operating Profits (PBDIT) *	3,023	3,446	14%	1,762	2,018	15%
Key Ratios						
PBT (before exceptional items)/Total Income	40.0%	45.2%		33.1%	48.2%	
Operating PBDIT/Operating Income	27.7%	37.5%		24.7%	41.4%	
Operating PBDIT/Operating Income *	37.1%	37.5%		40.1%	41.4%	
Tax/PBT	24.9%	34.3%		35.0%	29.8%	

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

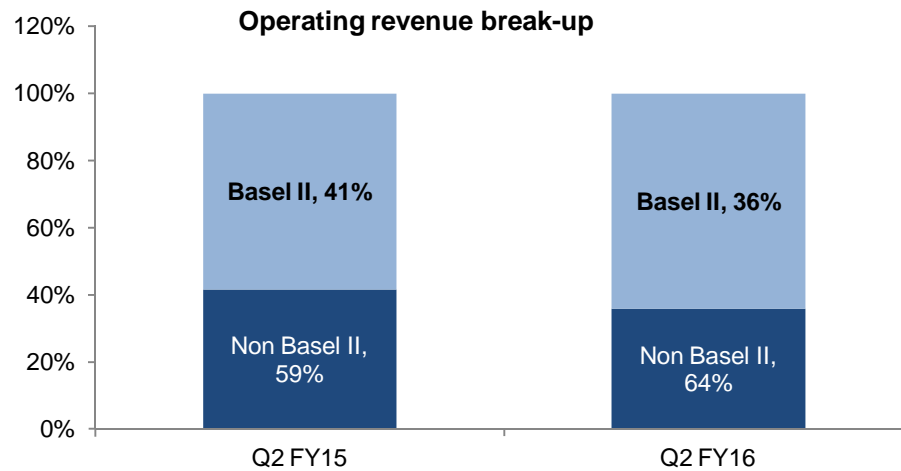
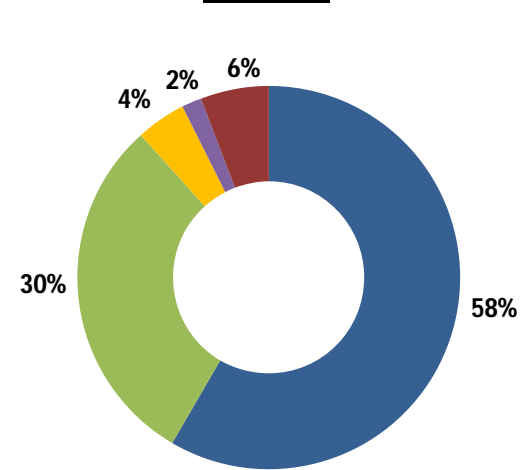
* Excluding prior period adjustments

ICRA - Segment-wise Revenues*

Q2 FY15



Q2 FY16



- Healthy growth in financial and structured finance sectors
- Corporate sector growth was primarily due to Money market/Debt market issuance

*As per old policy of fresh fee recognition

ICRA: Challenges & Risk Factors

- ❑ Policy measures not resulting in revival and demand conditions still remain subdued across sectors
- ❑ 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 Q2 FY16 Vs Q2 FY15

- ❑ **Group Operating Revenue grew by 10%**
- ❑ **Non Operating Income grew by 15%**
- ❑ **Group Total Revenue up by 11%**
- ❑ **Operating Profits grew by 25%**
- ❑ **EBITDA growth at 22%**

ICRA Group: Consolidated Financials

Particulars (Rs. Lakh)	FY 15 H1	FY 16 H1	Growth %	FY 15 Q2	FY 16 Q2	Growth %
Ratings	8,236	9,231	12%	4,432	4,919	11%
Consultancy	1,303	1,342	3%	677	693	2%
Outsourced and Information Services	1,520	1,943	28%	799	977	22%
IT related (Sales & Professional)	3,520	3,580	2%	1,767	1,833	4%
Other Operating Income	5	64		2	38	
Total Operating Income	14,584	16,160	11%	7,677	8,460	10%
Other Income	2,059	1,797	-13%	782	901	15%
Total Income	16,643	17,957	8%	8,459	9,361	11%
Profit before interest, depreciation, prior period adjustments, exceptional items & tax	5,815	6,151	6%	2,749	3,354	22%
Interest	99	55	-44%	51	29	-43%
Profit before depreciation, prior period adjustments, exceptional items & tax	5,716	6,096	7%	2,698	3,325	23%
Depreciation	456	415	-9%	273	221	-19%
Profit before prior period adjustments, exceptional items & tax	5,260	5,681	8%	2,425	3,104	28%
Prior Period Adjustments	897	-		811	-	
Profit before exceptional items & tax	4,363	5,681	30%	1,614	3,104	92%
Exceptional items	413	-		413	-	
PBT	3,950	5,681	44%	1,201	3,104	158%
Taxes	1,485	1,963	32%	920	1,038	13%
PAT (before minority interest)	2,465	3,718	51%	281	2,066	

ICRA Group: Consolidated Financials

Revenue Contribution	FY15 H1	FY16 H1	FY15 Q2	FY16 Q2
Ratings	56%	57%	58%	58%
Consultancy	9%	8%	9%	8%
Outsourced and Information Services	10%	12%	10%	12%
IT related (Sales & Professional)	24%	22%	23%	22%
Total Operating Income	100%	100%	100%	100%

Segment-wise OPBDIT contribution*	FY 15 H1	FY 16 H1	FY 15 Q2	FY 16 Q2
Ratings	77%	77%	85%	82%
Consultancy	3%	3%	4%	4%
Outsourced and Information Services	10%	13%	11%	12%
IT related (Sales & Professional)	10%	6%	0.4%	2%
Total OPBIT	100%	100%	100%	100%

*Excluding prior period adjustments

ICRA Group: Consolidated Financials

Profitability-Related Indicators*	FY 15 H1	FY 16 H1	FY 15 Q2	FY 16 Q2
Segment-wise OPBDIT margins				
Ratings PBDIT margins	35%	37%	38%	41%
Consulting PBDIT margins	10%	9%	11%	14%
Outsourcing and Information PBDIT margins	25%	30%	28%	31%
IT PBDIT margins	10%	8%	0.5%	**2%

* Excluding prior period adjustments

** Lower contribution due to write-offs/ accounting adjustments

ICRA Group Update: Advisory Services

- ❑ **Revenue grew by 2% in Q2 FY16 as compared to Q2 FY15**
 - Conversion cycles continue to be longer delaying deal closure
 - Pricing pressure from competition on account of sluggish business environment continue

- ❑ **Operating margin went up from 11% to 14%**
 - 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

- ❑ **Outlook**
 - Investment activity and sentiment slowly picking up as there is gradual ease of doing business, the competition amongst state governments is becoming healthy and reforms in key infrastructure like roads and electricity are making progress
 - Some of Government's reform measures are starting to yield results in areas such as railways, energy, skill development and manufacturing

ICRA Group Update: Outsourcing & Information Services

- ❑ **Revenue grew 22% in Q2 FY16 as compared to Q2 FY15**
 - Revenue from outsourcing services grew primarily on account of growth in existing business. Domestic revenue from Information service segment increased mainly due to new client acquisition and higher revenue per order

- ❑ **Increase in operating margin from 28% to 31%**
 - Increase in operating margins benefiting from operating leverage and forex gain

- ❑ **Challenges**
 - To expand global client base; leverage existing client base for value-added services

ICRA Group Update: IT Software Services (Consolidated)

- ❑ **Operating Revenue increased by 4% in Q2 FY16 as compared to Q2 FY15**
 - Growth impacted due to exit from certain non-core business segments

- ❑ **Operating margin increased from 0.5% to 2%***
 - Slight increase in margin due to operational efficiencies

- ❑ **Challenges**
 - To acquire new customers in the face of competition from large IT organizations

*Lower operating margin due to write-offs/accounting adjustments

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.