



# **ICRA Limited**

**Analyst Presentation, Q1 2015-16**

**14<sup>th</sup> August' 2015**



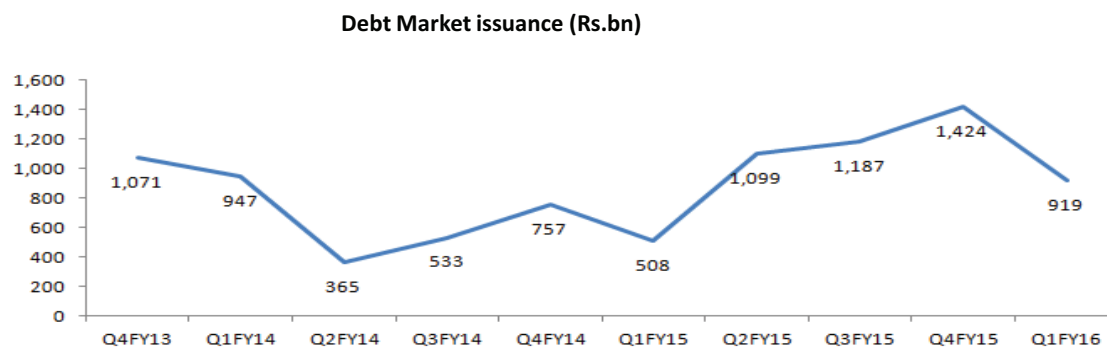
## Table of Contents

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

# 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

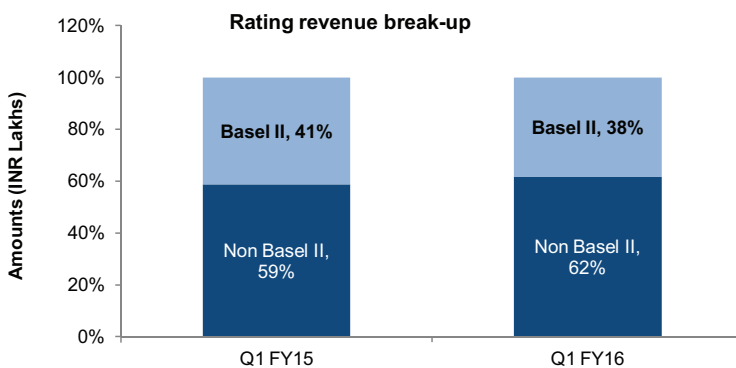
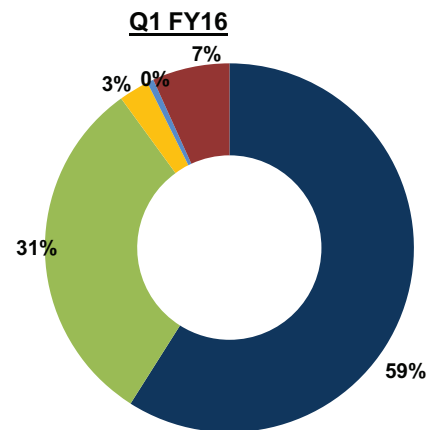
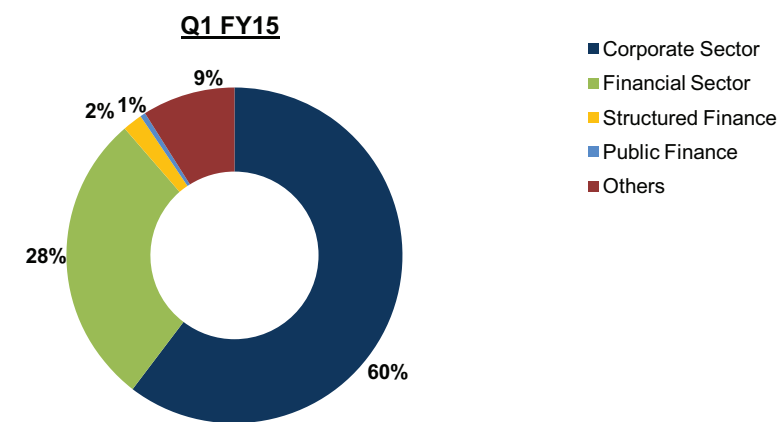


## ICRA: Standalone Financials

Particulars (Rs. Lakh)	2014-15 Q1	2015-16 Q1	Gr % YoY
<b>Operating Income</b>	<b>3,671</b>	<b>4,308</b>	<b>17%</b>
Other Income	1,238	773	-38%
<b>Total Income</b>	<b>4,909</b>	<b>5,081</b>	<b>4%</b>
Personnel Expenses	1,782	2,025	14%
Administrative Expenses	289	260	-10%
Other Expenses	425	597	40%
<b>Total Expenses</b>	<b>2,496</b>	<b>2,882</b>	<b>15%</b>
<b>Profit before depreciation, prior period adjustments, exceptional items &amp; tax</b>	<b>2,413</b>	<b>2,199</b>	<b>-9%</b>
Depreciation	58	76	31%
<b>Profit before exceptional items &amp; tax</b>	<b>2,355</b>	<b>2,123</b>	<b>-10%</b>
Exceptional items	0	325	
<b>PBT</b>	<b>2,355</b>	<b>1,798</b>	<b>-24%</b>
Taxes	415	739	78%
<b>PAT</b>	<b>1,940</b>	<b>1,059</b>	<b>-45%</b>
<b>Operating Profits (PBDIT)</b>	<b>1,175</b>	<b>1,426</b>	<b>21%</b>
<b>Key Ratios</b>			
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%
<b>Total Operating Income</b>	<b>6,821</b>	<b>7,699</b>	<b>13%</b>
Other Income	1,277	896	-30%
<b>Total Income</b>	<b>8,098</b>	<b>8,595</b>	<b>6%</b>
<b>Profit before interest, depreciation, prior period adjustments, exceptional items &amp; tax</b>	<b>2,982</b>	<b>2,797</b>	<b>-6%</b>
Interest	48	26	-46%
<b>Profit before depreciation, prior period adjustments, exceptional items &amp; tax</b>	<b>2,934</b>	<b>2,771</b>	<b>-6%</b>
Depreciation	183	194	6%
<b>PBT</b>	<b>2,751</b>	<b>2,577</b>	<b>-6%</b>
Taxes	565	925	64%
<b>PAT (before minority interest)</b>	<b>2,186</b>	<b>1,652</b>	<b>-24%</b>
Minority interest	4	1	
<b>PAT (after minority interest)</b>	<b>2,182</b>	<b>1,651</b>	<b>-24%</b>

## ICRA Group: Consolidated Financials

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

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

## ICRA Group: Consolidated Financials

Profitability Related Indicators	2014-15	2015-16
	Q1	Q1
<b>Segment-wise OPBDIT margins</b>		
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

## ***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.