



ICRA

ICRA Limited

November 6, 2020

BSE Limited

Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai 400 001, India
Scrip Code: 532835

National Stock Exchange of India Limited

Exchange Plaza,
Plot no. C/1, G Block
Bandra-Kurla Complex
Bandra (East)
Mumbai - 400 051, India
Symbol: ICRA

Dear Sir/Madam,

Sub: - Investor Presentation, Q2 FY21

Pursuant to the applicable regulations of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed Investor Presentation, Q2 FY21.

Kindly take the above on record.

Regards,

Sincerely,

(S. Shakeb Rahman)
Company Secretary & Compliance Officer

Encl.: As above



ICRA

A MOODY'S INVESTORS
SERVICE COMPANY

Group ICRA Investor Presentation Q2 FY21

November 6, 2020

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Group ICRA Overview

ICRA Nepal-ICRA Lanka

(subsidiaries of ICRA Limited)



ICRA Nepal



First credit rating agency in Nepal



Provides independent credit rating opinions and grading services

ICRA Lanka



Provides independent credit rating opinions and research

ICRA Limited

(parent entity – standalone)



ICRA
A MOODY'S INVESTORS
SERVICE COMPANY



Provides independent credit ratings opinions and research



29+ years of experience and 400+ workforce



10 offices across India

ICRA Analytics

(subsidiary of ICRA Limited)



ICRA
ANALYTICS
A Group ICRA Company



Provides solutions, analytics and digital platforms for risk management, market data, consulting and knowledge services



20+ years of experience and 600+ workforce



Serving clients across the globe



Certified as a “Great Place to Work”

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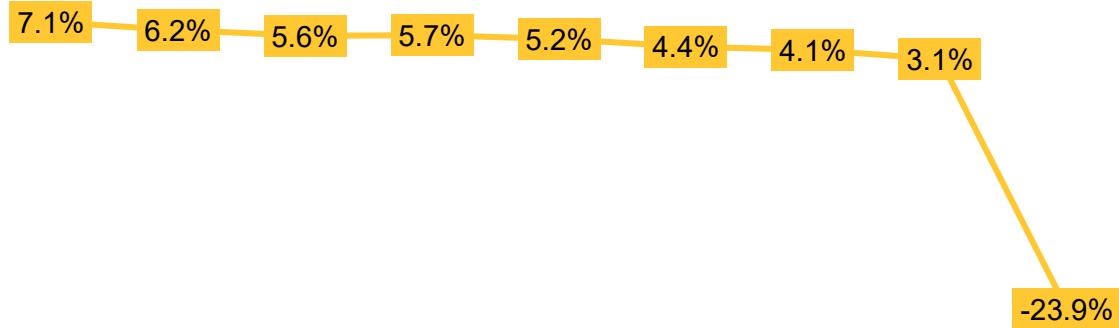
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- Research
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Deteriorating Economic Environment

GDP Growth

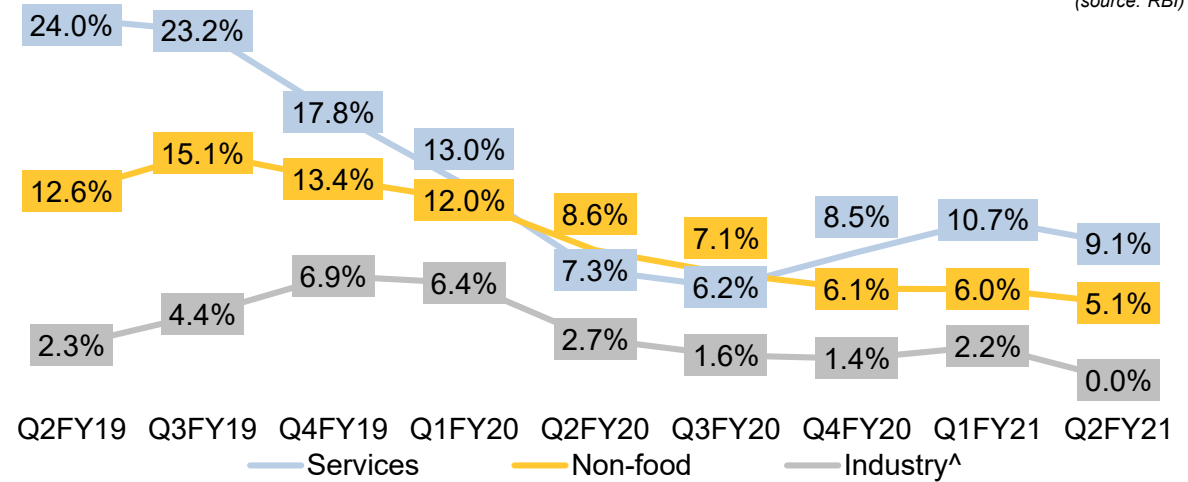
(source: CSO)



Q1FY19 Q2FY19 Q3FY19 Q4FY19 Q1FY20 Q2FY20 Q3FY20 Q4FY20 Q1FY21

Bank Credit – YoY Growth*

(source: RBI)



Q2FY19 Q3FY19 Q4FY19 Q1FY20 Q2FY20 Q3FY20 Q4FY20 Q1FY21 Q2FY21

— Services — Non-food — Industry^

Index of Industrial Production Growth

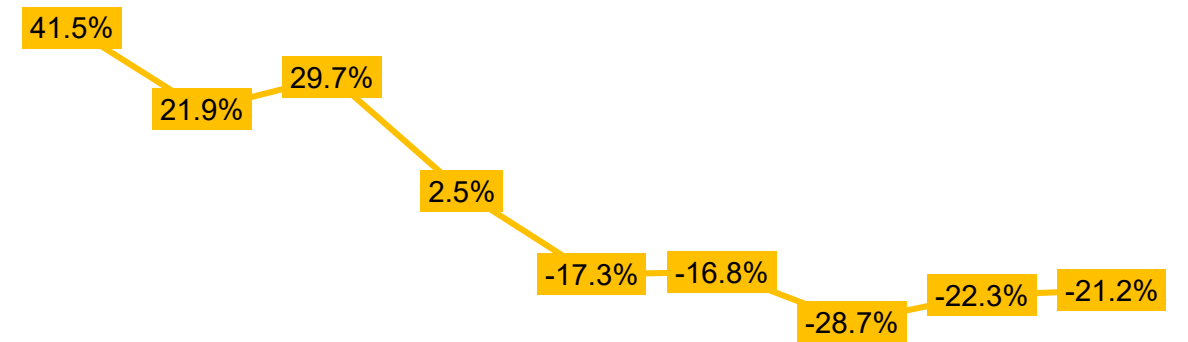
(source: MOSIP)



Q1FY19 Q2FY19 Q3FY19 Q4FY19 Q1FY20 Q2FY20 Q3FY20 Q4FY20 Q1FY21

Outstanding CPs – YoY Growth*

(source: RBI)



Q2FY19 Q3FY19 Q4FY19 Q1FY20 Q2FY20 Q3FY20 Q4FY20 Q1FY21 Q2FY21

* YoY rise in total outstanding at the end of each quarter

^ Includes all types of enterprises, i.e. micro, small, medium and large

Challenges and Risk Factors

01

Economic and social challenges due to covid-19 pandemic

02

Despite several policy measures, investment activity yet to show a meaningful revival

03

Reputation-related risks

04

Competition from other rating agencies

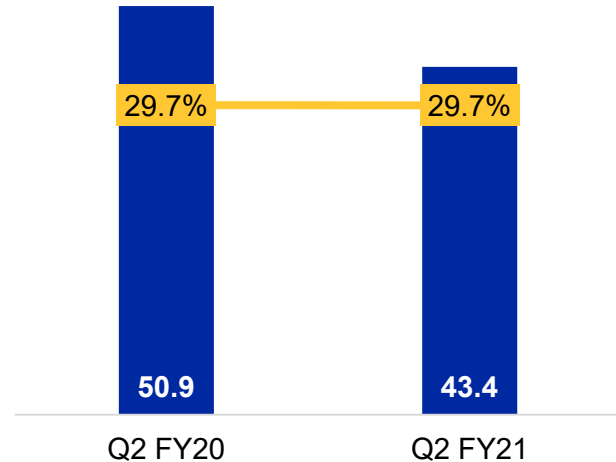
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Ability to retain / attract quality manpower, rising compensation and related costs

06

Funding substitutes including overseas borrowing or adverse domestic interest rate movements

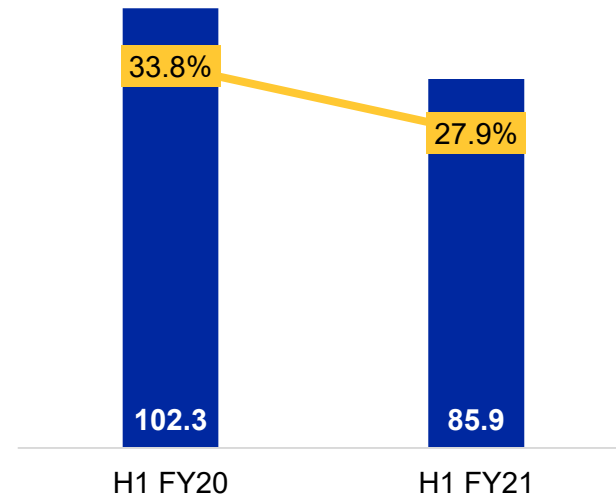
ICRA Standalone – Financial Performance



For the quarter ended September 30, 2020, the company's operating income was ₹43.4 cr, against ₹50.9 cr in the corresponding quarter of the previous year, a decline of 14.9%.

De-growth in the rating revenue has been mainly due to a steep fall in the securitisation volumes due to investors' wariness and also due to a contraction in the volume of debt rated in the large borrower segment. Cost rationalisation by borrowers due to the pandemic added to the prevailing headwinds resulting in an enhanced pricing pressure impacting the revenue growth.

Other income in the quarter declined by 14.4% on y-o-y basis due to declining bank fixed deposits interest rates over the past few quarters. The company has moved part of its investment portfolio to debt oriented mutual fund schemes for earning better post tax returns.



The employee benefit expenses and other expenses were lower during the quarter on y-o-y basis by 1.9% and 45.6%, respectively. The decline in other expenses has been mainly on account of lower legal cost and savings achieved in travel due to restrictions and lower admin overheads due to remote working in pandemic.

The PBT for the quarter was ₹15.5 cr, lower by 14.8% and PAT was ₹11.3 cr, lower by 13.7%.

For the half year ended on September 30, 2020, ICRA's standalone revenue from operation was ₹85.9 cr, compared to ₹102.3 cr, lower by 16.1%. The PBT and PAT were at ₹29.2 cr and ₹21.3 cr, respectively, as compared to ₹41.6 cr and ₹28.0 cr, respectively. The PBT was lower by 29.9% and the PAT was lower by 24.0%, as compared to the corresponding period of the previous year.

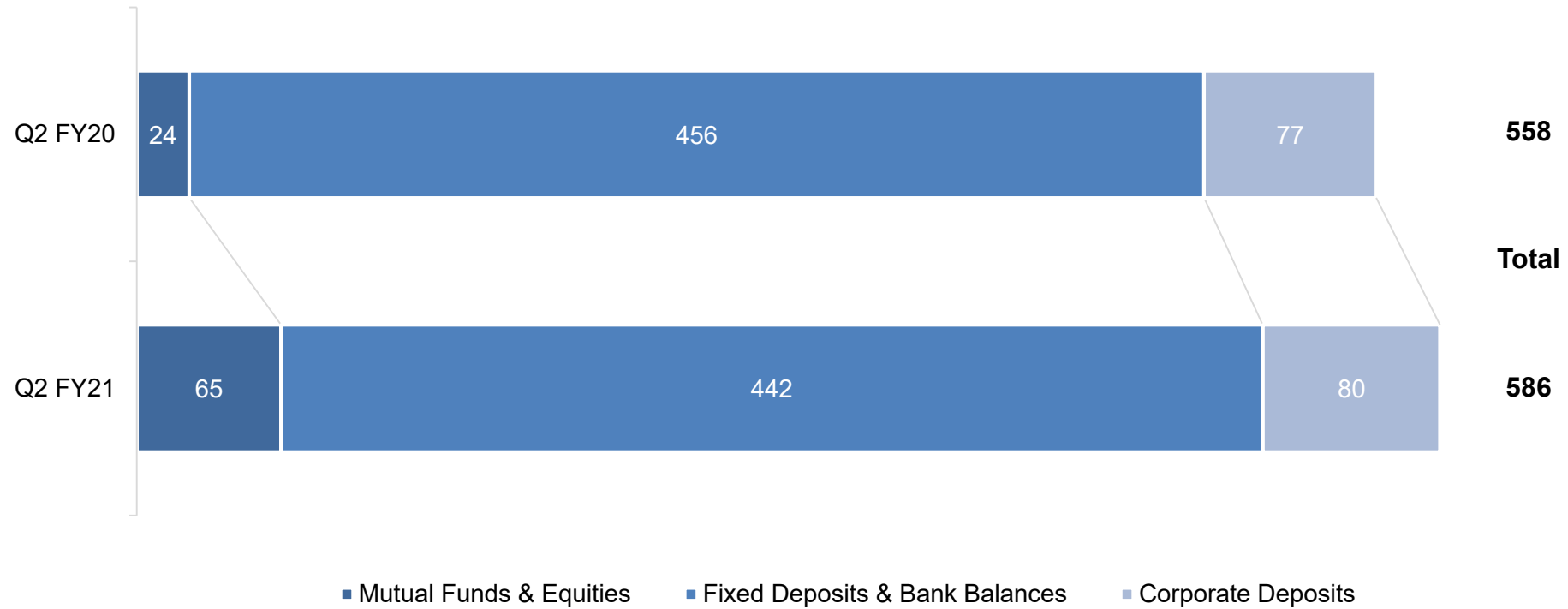
■ Operating Revenue (₹ cr) — PBT Margin

ICRA Standalone – P&L (₹ cr)

P&L		Q2 FY20	Q2 FY21	Q2 FY21 vs Q2 FY20	H1 FY20	H1 FY21	H1 FY21 vs H1 FY20
Operating Revenue	a	50.9	43.4	-14.9%	102.3	85.9	-16.1%
Compensation Expenses	b1	28.8	28.3	-1.9%	56.6	55.1	-2.7%
Other Expenses	b2	12.4	6.8	-45.6%	21.3	16.7	-21.4%
Depreciation		1.5	1.3	-10.7%	2.7	2.5	-4.4%
Finance Costs		0.5	0.4	-4.7%	0.8	0.9	
Total Expenses	b	43.2	36.8	-14.8%	81.3	75.3	-7.5%
Operating Profit	c=a-b	7.8	6.6	-15.3%	21.0	10.6	-49.5%
Other Income	d	10.5	9.0	-14.4%	20.6	18.6	-9.9%
Profit Before Tax	e=c+d	18.2	15.5	-14.8%	41.6	29.2	-29.9%
Tax	f	5.2	4.3	-17.8%	13.6	7.9	-41.9%
PAT	g=e-f	13.1	11.3	-13.7%	28.0	21.3	-24.0%
Other Comprehensive Income (Net of Tax)	h	(0.1)	(0.0)		(0.2)	0.4	
Total Comprehensive Income (Net of Tax)	i=g+h	13.0	11.3	-13.1%	27.8	21.7	-21.9%

Other Metrics		Q2 FY20	Q2 FY21	H1 FY20	H1 FY21
Comp Expense %	b1 / a	56.6%	65.2%	55.3%	64.2%
Other Expense %	b2 / a	24.4%	15.6%	20.8%	19.5%
Operating Margin %	c / a	15.2%	15.1%	20.5%	12.3%
Profit Before Tax Margin %	e / (a+d)	29.7%	29.7%	33.8%	27.9%
PAT Margin %	g / (a+d)	21.3%	21.6%	22.8%	20.4%

ICRA Standalone – Investments (₹ cr)



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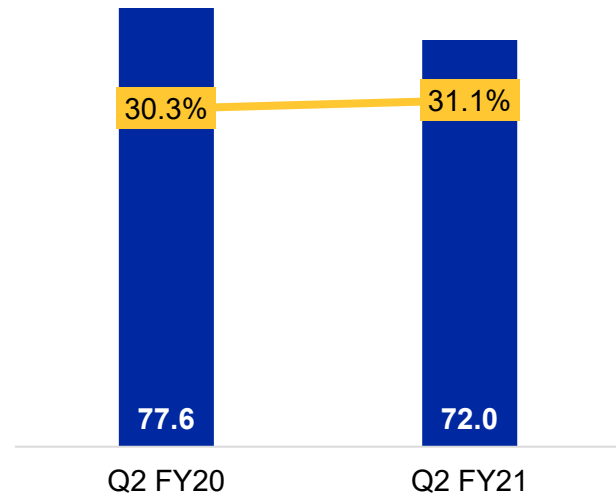
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**Financial
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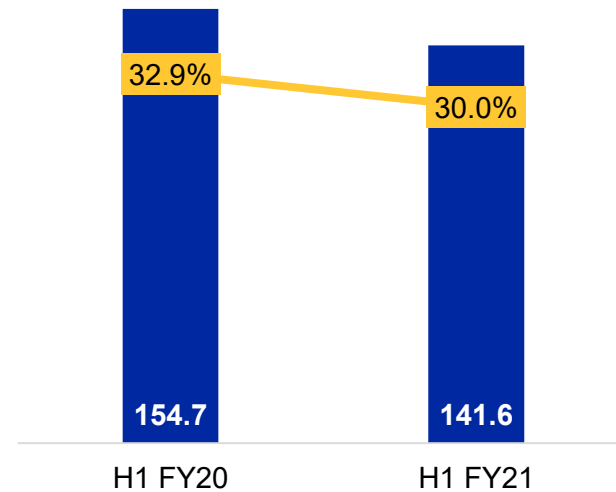
- Research
- Webinars

ICRA Consolidated – Financial Performance



For the quarter ended September 30, 2020, the consolidated operating income was ₹72.0 cr, against ₹77.6 cr on y-o-y basis, reflecting a de-growth of 7.3%. The PBT for the quarter was at ₹25.6 cr, lower by 5.8%, and PAT was at ₹18.7 cr, lower by 3.3% on y-o-y basis.

The de-growth in consolidated revenue for the quarter ended September 30, 2020 has been mainly due to decline in revenue from ratings segment and partly from consulting segment. The outsourcing & information services segment grew due to traction in both global and domestic businesses, including the benefit of rupee depreciation against the US Dollar.



For the half year ended on September 30, 2020, ICRA's consolidated revenue from operation was ₹141.6 cr, compared to ₹154.7 cr, lower by 8.4%. The other income was lower by 8.8%, over the corresponding period of the previous year. The PBT and PAT were at ₹48.9 cr and ₹35.7 cr, respectively, as compared to ₹58.7 cr and ₹39.9 cr, respectively. The PBT was lower by 16.6% and the PAT was lower by 10.4%, as compared to the corresponding period of the previous year.

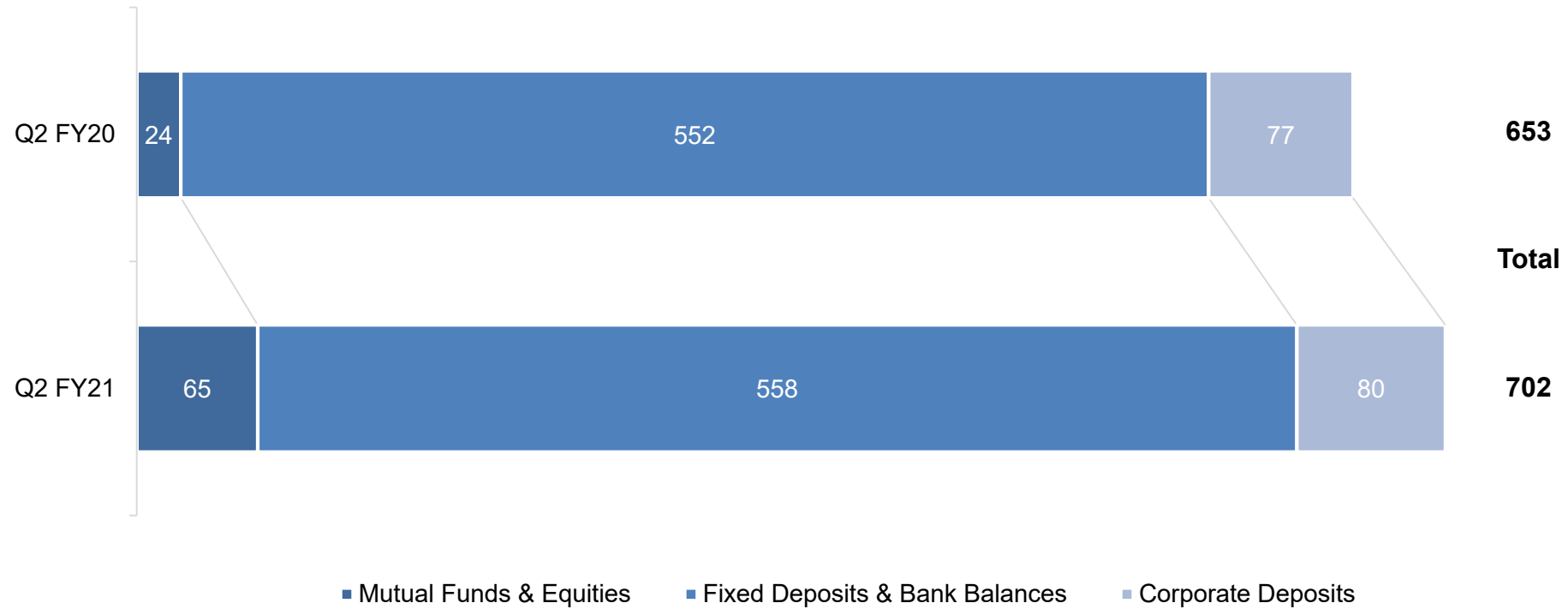
■ Operating Revenue (₹ cr) — PBT Margin

ICRA Consolidated – P&L (₹ cr)

P&L		Q2 FY20	Q2 FY21	Q2 FY21 vs Q2 FY20	H1 FY20	H1 FY21	H1 FY21 vs H2 FY20
Operating Revenue	a	77.6	72.0	-7.3%	154.7	141.6	-8.4%
Compensation Expenses	b1	42.8	43.7	2.1%	84.6	85.0	0.5%
Other Expenses	b2	16.5	10.1	-38.4%	29.3	23.5	-19.6%
Depreciation		2.7	2.5	-7.3%	5.0	4.8	-3.9%
Finance Costs		0.6	0.5	-9.6%	0.9	1.0	
Total Expenses	b	62.6	56.9	-9.1%	119.8	114.4	-4.5%
Operating Profit	c=a-b	15.1	15.1	0.2%	34.9	27.2	-21.9%
Other Income	d	12.1	10.5	-13.4%	23.8	21.7	-8.8%
Profit Before Tax	e=c+d	27.2	25.6	-5.8%	58.7	48.9	-16.6%
Tax	f	7.9	6.9	-12.0%	18.8	13.2	-29.9%
PAT	g=e-f	19.3	18.7	-3.3%	39.9	35.7	-10.4%
Other Comprehensive Income (Net of Tax)	h	(0.1)	(0.1)		(0.3)	0.2	
Total Comprehensive Income (Net of Tax)	i=g+h	19.2	18.6	-3.1%	39.6	36.0	-9.2%

Other Metrics		Q2 FY20	Q2 FY21	H1 FY20	H1 FY21
Comp Expense %	b1 / a	55.2%	60.7%	54.7%	60.1%
Other Expense %	b2 / a	21.2%	14.1%	18.9%	16.6%
Operating Margin %	c / a	19.4%	21.0%	22.5%	19.2%
Profit Before Tax Margin %	e / (a+d)	30.3%	31.1%	32.9%	30.0%
PAT Margin %	g / (a+d)	21.5%	22.6%	22.3%	21.9%

ICRA Consolidated – Investments (₹ cr)



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High Impact Research

INDIAN AUTO COMPONENT INDUSTRY
Capacity utilization for most auto component players (except those catering to CV) at close to pre-Covid levels in September 2020
ICRA Research Services | Monthly Update



INDIAN PASSENGER VEHICLE INDUSTRY

Festive season will decide the growth trajectory of the industry; retail volume trails wholesale dispatches



Indian Road Sector
September 2020

Muted state government capex and weak private sector capex to push EPC contractors to road sector resulting in heightened competition and substantial discounts in bids



SMALL FINANCE BANKS
September 2020

Regular capital infusions and deposit stability to help weather Covid-19 disruptions



Indian Tiles Sector
August 2020

Domestic tiles volumes in doldrums, faster recovery in export market; margin contraction expected by ~100 - 200 bps



Power Sector
August 2020

Demand recovery from key industrialised states still slow; though overall electricity demand at over 96% of pre-covid level



Thematic Discussions for Industry Participants ICRA

From disruption to the new normal. What lies ahead for the Indian Apparel Exporters?

Indian Construction Sector – Trends and Outlook

Telcos need to speed-dial ARPU improvement

Indian Financial Sector: Post moratorium navigations to differentiate credit profiles

Indian Iron and Steel Sector - What lies ahead?

Would glut in sugar production and increase in cane price turn SY2021 into a bitter year? Will the government continue to support the sugar industry?

Covid-19 impact and challenges ahead for the Indian Real Estate Sector

Pandemic struck demand will lead to -3.0%-Nil growth for FY2021 and margin contraction; shift to digital accelerated as silver lining

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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