



# **ICRA Limited**

**Analysts Presentation, H1 2014-15**  
**November 2014**



# Performance Review: ICRA Limited



# Rating Business: Performance Drivers Update

- Early signs of pick-up in economic activity, though not broad based
- Pick up in Debt Markets & CP issuance with easing of yields.
  - Debt Market issuance up by ~18% y-o-y during H1
- Slowdown in systemic H1 Bank Credit growth ~11%.
- Moderate improvement in ICRA's market share in some segments
- Competitive intensity remains high



# ICRA - Standalone Financials

Revenues (Rs. lakh)	FY14	FY15	Gr %	FY14	FY15	Gr %
	H1	H1		Q2	Q2	
<b>Operating Income</b>	<b>7,075</b>	<b>8,151</b>	<b>15%</b>	<b>3,863</b>	<b>4,394</b>	<b>14%</b>
Other Income	1,321	1,960	48%	391	722	85%
<b>Total Income</b>	<b>8,396</b>	<b>10,111</b>	<b>20%</b>	<b>4,254</b>	<b>5,116</b>	<b>20%</b>
Personnel Expenses	3,309	3,601	9%	1,711	1,819	6%
Administrative Expenses	542	581	7%	277	292	5%
Other Expenses	825	945	15%	452	520	15%
<b>Total Expenses</b>	<b>4,676</b>	<b>5,127</b>	<b>10%</b>	<b>2,440</b>	<b>2,631</b>	<b>8%</b>
<b>PBDT</b>	<b>3,720</b>	<b>4,984</b>	<b>34%</b>	<b>1,814</b>	<b>2,485</b>	<b>37%</b>
Depreciation	114	173	52%	59	115	95%
<b>PBT (Before Prior Period Adjustments)</b>	<b>3,606</b>	<b>4,811</b>	<b>33%</b>	<b>1,755</b>	<b>2,370</b>	<b>35%</b>
Prior Period Adjustments	0	765		0	679	
<b>PBT</b>	<b>3,606</b>	<b>4,046</b>	<b>12%</b>	<b>1,755</b>	<b>1,691</b>	<b>-4%</b>
Taxes	849	1,007	19%	518	592	14%
<b>PAT (Reported)</b>	<b>2,757</b>	<b>3,039</b>	<b>10%</b>	<b>1,237</b>	<b>1,099</b>	<b>-11%</b>
Operating Profits (PBDIT)	2,801	2,938	5%	1,653	1,541	-7%
<b>Operating Profits (PBDIT) *</b>	<b>2,906</b>	<b>3,510</b>	<b>21%</b>	<b>1,708</b>	<b>2,113</b>	<b>24%</b>
<b>Key Ratios</b>						
PBDIT/Total Income *	46%	49%		44%	49%	
Operating PBDIT/Operating Income *	41%	43%		44%	48%	
Tax/PBT	24%	25%		30%	35%	

\* Excluding prior period adjustments and ESOS amortization

# ICRA: Accounting Policy and Prior Period Adjustments

- Changes in Accounting Policy covering
  - Revenue Recognition: The Company adjusted its revenue recognition policy to record a proportion of initial rating fees over the 11 months subsequent to the month in which the rating was awarded. Surveillance fees are accounted for on a time proportion basis
  - Booking of Rent Equalization: The Company to follow the practice of Rent Equalization on a straight line basis
  - Provision for expenses on Ordinary Leaves extended to cover Casual Leaves

- **Prior Period Adjustments during H1FY15**

Particulars	Negative Impact on PBT (Rs. Lakh)	
	Standalone	Consolidated
Revenue Recognition	571.95	571.95
Booking of Rent Equalization	155.79	155.79
Provision for expenses on casual leaves outstanding	37.08	168.89
<b>Total</b>	<b>764.82</b>	<b>896.63</b>

# Performance Review: ICRA Group



# ICRA Group: H1FY15 Financial Highlights

- H1FY15 Consolidated Group Operating Income grew by 14% (PY: 13%)
- Non Operating Income up by 31% primarily due to maturity of FMP investments.
- Consolidated Group Net Profit down 24% (PY: 46% growth) attributed mainly to the accounting policy changes and booking of impairment of goodwill value in one of the subsidiary companies
  - Without these factors, PAT for H1FY15 is higher by Rs 1005 lakh, reflecting 7% growth over the corresponding period of previous financial year
- Reported EPS of Rs. 25.18 (PY: Rs. 32.15)
- EPS\* of Rs. 31.22 (PY: Rs. 32.93)

\* Excluding prior period adjustments and ESOS amortization



# Group ICRA - Consolidated Financials

Revenues (Rs. lakh)	FY14		FY15		FY14		FY15		Gr %
	H1	H1	H1	H1	Q2	Q2	Q2	Q2	
Ratings	7,128	8,241	8,241	8,241	3,885	4,435	4,435	4,435	14%
Consultancy	1,169	1,303	1,303	1,303	648	677	677	677	4%
Outsourced and Inform. Services	1,279	1,520	1,520	1,520	671	799	799	799	19%
IT related (Sales & Professional)	3,270	3,520	3,520	3,520	1,798	1,766	1,766	1,766	-2%
<b>Total Operating Income</b>	<b>12,846</b>	<b>14,584</b>	<b>14,584</b>	<b>14,584</b>	<b>7,002</b>	<b>7,677</b>	<b>7,677</b>	<b>7,677</b>	<b>10%</b>
Other Income	1,577	2,059	2,059	2,059	499	782	782	782	57%
<b>Total Income</b>	<b>14,423</b>	<b>16,643</b>	<b>16,643</b>	<b>16,643</b>	<b>7,501</b>	<b>8,459</b>	<b>8,459</b>	<b>8,459</b>	<b>13%</b>
<b>PBDT</b>	<b>4,641</b>	<b>5,716</b>	<b>5,716</b>	<b>5,716</b>	<b>2,399</b>	<b>2,698</b>	<b>2,698</b>	<b>2,698</b>	<b>12%</b>
Depreciation	238	456	456	456	124	273	273	273	120%
<b>PBT (Before Prior Period Adjustments)</b>	<b>4,403</b>	<b>5,260</b>	<b>5,260</b>	<b>5,260</b>	<b>2,275</b>	<b>2,425</b>	<b>2,425</b>	<b>2,425</b>	<b>7%</b>
Prior Period Adjustments	0	897	897	897	0	811	811	811	
Exceptional items	0	413	413	413	0	413	413	413	
<b>PBT</b>	<b>4,403</b>	<b>3,950</b>	<b>3,950</b>	<b>3,950</b>	<b>2,275</b>	<b>1,201</b>	<b>1,201</b>	<b>1,201</b>	<b>-47%</b>
Taxes	1,157	1,485	1,485	1,485	698	920	920	920	32%
<b>PAT (Reported)</b>	<b>3,246</b>	<b>2,465</b>	<b>2,465</b>	<b>2,465</b>	<b>1,577</b>	<b>281</b>	<b>281</b>	<b>281</b>	<b>-82%</b>
<b>Operating Profits (PBDIT) *</b>	<b>4,746</b>	<b>6,288</b>	<b>6,288</b>	<b>6,288</b>	<b>2,454</b>	<b>3,184</b>	<b>3,184</b>	<b>3,184</b>	<b>30%</b>

\* Excluding prior period adjustments and ESOS amortization



# Group ICRA - Segment-wise contribution

Particulars	FY14		FY15		Gr %
	H1		H1		
<b>Segment-wise Profits (PBDIT) (Rs. Lakh)</b>					
Ratings	2,913		3,506		20%
Consultancy	(83)		118		242%
Outsourced and Inform. Services	292		385		32%
IT related (Sales & Professional)	547		300		-45%
<b>Total Segmental Profits</b>	<b>3,564</b>		<b>3,737</b>		<b>5%</b>
<b>Segment-wise PBDIT margins</b>					
Ratings margins	41%		43%		
Consulting margins	-7%		9%		
Outsourced and Inform. margins	23%		25%		
IT margins	17%		9%		

\* Note: All figures above are excluding prior period adjustments and ESOS amortization

# Group ICRA - Segment-wise contribution

	Details	
	FY14	FY15
	H1	H1
<b>Revenue Contribution</b>		
Ratings	55%	57%
Consultancy	9%	9%
Outsourced and Inform. Services	10%	10%
IT related (Sales & Professional)	25%	24%
<b>Total Operating Income</b>	<b>100%</b>	<b>100%</b>
<b>Segment-wise PBDIT contribution</b>		
Ratings	79%	79%
Consultancy	-2%	3%
Outsourced and Inform. Services	8%	10%
IT related (Sales & Professional)	15%	8%
<b>Total PBDIT</b>	<b>100%</b>	<b>100%</b>

\* Note: All figures above are excluding prior period adjustments and ESOS amortization

# ICRA Group: Business Update (1)

## Advisory Services

- Revenue up by 11% in H1FY15 [PY revenue growth (-)2%]
  - Macro-economic conditions still sluggish; business uncertainty still curbing clients' spending on - consulting, although situation better than past few quarters back
  - Pricing pressure in consulting industry still continues due to excess consulting capacity in India
- New business wins have shown increase in H1
  - Segments that have shown growth include Banking & Financial Services, Transportation, and Urban Infrastructure
- Profits (EBITDA) increased significantly vis-à-vis previous fiscal (PY profitability was low due to recessionary conditions) with improved op margin of 9% in H1FY15
  - Increase in share of higher value consulting projects in overall business mix
  - Tight management of operating expenditure



# ICRA Group: Business Update (2)

## Outsourcing & Information Services

- Revenue grew 19% in H1FY15 compared to 21% in H1FY14
- Margins improved from 23% to 25%
  - Operating efficiency and higher-value projects primarily responsible for these gains
- Challenge
  - To expand global client base
- Outlook
  - Market for outsourcing services for data, research and analytics remains attractive



# ICRA Group: Business Update (3)

## IT Software Services (Consolidated)

- Operating Revenue increased 8% in H1FY15 (PY: 23%)
  - Rise in average dollar conversion rate from Rs. 60.18 to Rs. 61.86 contributed ~3% to growth
  - Growth attributable mainly to new projects from existing customers besides addition of new customers
- PBDIT declined from Rs. 5.47 crore in H1FY14 to Rs. 3.0 crore in H1FY15 due to cost increase and accounting write offs
- Goodwill impairment loss of Rs. 4.13 crore recorded in relation to BPA Technologies Inc. owing to market and economic developments
- Challenges
  - To acquire new customers in the face of competition from large IT service providers
  - Talent acquisition and retention



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