



ICRA Limited

Analyst Presentation, 2014-15
2nd June' 2015

Table of Contents

- 1. Business Profile**
- 2. Performance Review: ICRA Group**
- 3. Performance Review: ICRA Limited**
- 4. Appendix**

Business Profile

Business Profile

ICRA Limited Rating, Grading & Information Services



- ICRA is one of the leading credit rating agencies in India, wherein majority is held by Moody's Group
- ICRA, through its subsidiaries, offers rating services in Indonesia, Sri Lanka and Nepal
- Besides ratings, ICRA Group offers consulting, IT-based information and outsourcing services

Performance Review: ICRA Group

ICRA Group: Financial Highlights

- **Consolidated Group Operating Income grew by 14% (PY: 13%)**
- **Profit before interest, depreciation, prior period adjustments, exceptional items & tax up robust 20%**
- **EPS at Rs. 66.77* (PY: Rs. 68.93)**
- **Dividend of Rs. 24 per share proposed, subject to shareholder's approval.**

**after considering prior period adjustment and impairment of goodwill of BPA Technologies Inc.*

ICRA Group Update: Advisory Services

❑ Revenue grew by 12% in FY2015 (PY: 3%)

Managed to win more mandates

Economic slowdown and pricing pressures continued to impact consulting business

❑ OPBDIT up 126% over the previous year

Improvement in margins on account of longer duration contracts, larger value mandates and more repeat customers

Better cost management helped improve operating margins

ICRA Group Update: Outsourcing & Information Services

❑ Overall Revenue grew 26% (PY 24%)

❑ OPBDIT moved from 28% to 27%

Impact of prior period expense and change in retirement benefit estimates pulled down net margin from previous year

Higher revenue per employee, operational efficiency and higher-value projects were key drivers which helped to restrict contraction of margins

❑ Challenges

To expand global client base; leverage existing domestic client base for value-added services

❑ Outlook

While data services remain the primary revenue segment, company is continuously focusing on market development and competence building for higher value services (e.g. research and analytics)

ICRA Group: Business Update IT Software Services (Consolidated)

❑ **Operating Revenue increased 15% in FY2015**

Rise in average dollar conversion rate in FY2015 from Rs. 60.50 to Rs. 62.19 contributed ~ 3% to growth

Growth attributable to new projects from existing customers and business from new customers as well

❑ **OPBDIT marginally up to Rs. 11.93 crore in FY2015 from Rs. 11.68 crore in FY2014**

❑ **Challenges**

To acquire new customers in the face of competition from large IT service providers

To contain impact of adverse currency movements

ICRA Group: Consolidated Financials

Revenues: (Rs. lakh)	2013-14	2014-15	Growth %	2013-14	2014-15	Growth %
	12m	12m	YoY	Q4	Q4	QoQ
Ratings	16,426	18,318	12%	4,981	5,411	9%
Consultancy	2,651	2,956	12%	800	925	16%
Outsourced and Information Services	2,668	3,358	26%	689	943	37%
IT related (Sales & Professional)	6,551	7,559	15%	1,559	2,029	30%
Total Operating Income	28,296	32,191	14%	8,029	9,308	16%
Other Income	1,935	2,624	36%	335	340	1%
Total Income	30,231	34,815	15%	8,364	9,648	15%
Profit before interest, depreciation, prior period adjustments, exceptional items & tax	10,474	12,517	20%	3,431	3,768	10%
Interest	82	198	141%	40	49	23%
Profit before depreciation, prior period adjustments, exceptional items & tax	10,392	12,319	19%	3,391	3,719	10%
Depreciation	601	966	61%	187	264	41%
Profit before prior period adjustments, exceptional items & tax	9,791	11,353	16%	3,204	3,455	8%
Prior Period Adjustments	0	897		0	0	
Profit before exceptional items & tax	9,791	10,456	7%	3,204	3,455	8%
Exceptional items	0	413		0	0	
PBT	9,791	10,043	3%	3,204	3,455	8%
Taxes	2,898	3,485	20%	1,029	1,146	11%
PAT (before minority interest)	6,893	6,558	-5%	2,175	2,309	6%
Minority interest	0	13		(28)	7	-125%
PAT (after minority interest)	6,893	6,545	-5%	2,203	2,302	4%

ICRA Group: Consolidated Financials

Revenue Contribution	2013-14	2014-15
Ratings	58%	57%
Consultancy	9%	9%
Outsourced and Information Services	9%	10%
IT related (Sales & Professional)	23%	23%
Total Operating Income	100%	100%

Segment Contribution (Profit before tax and interest)	2013-14	2014-15
Ratings	77%	79%
Consultancy	2%	6%
Outsourced and Information Services	8%	9%
IT related (Sales & Professional)	13%	6%
Total PBIT	100%	100%

ICRA Group: Consolidated Financials

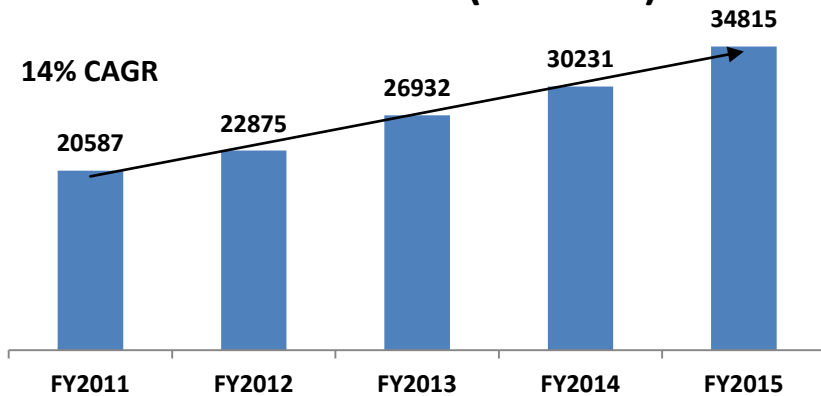
Segment-wise OPBDIT contribution (before exceptional items, depreciation, interest and tax)	2013-14	2014-15
Ratings	75%	71%
Consultancy	3%	6%
Outsourced and Information Services	8%	10%
IT related (Sales & Professional)	14%	13%
Total OPBDIT	100%	100%

Segment-wise OPBDIT margins	2013-14	2014-15	2014-15 (before prior period expenses)
Ratings	39%	35%	39%
Consulting	9%	18%	18%
Outsourcing and Information	28%	27%	28%
IT related (Sales & Professional)	18%	16%	17%
EPS in Rs.	68.93	66.77*	

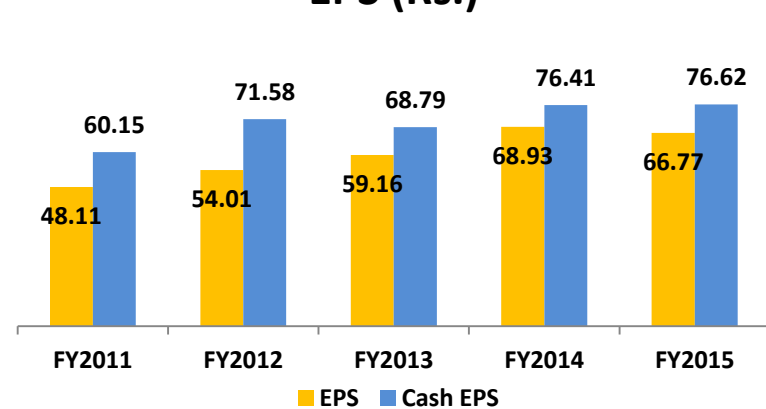
**after considering prior period adjustment and impairment of goodwill of BPA Technologies Inc.*

ICRA Group: Performance Over the Years

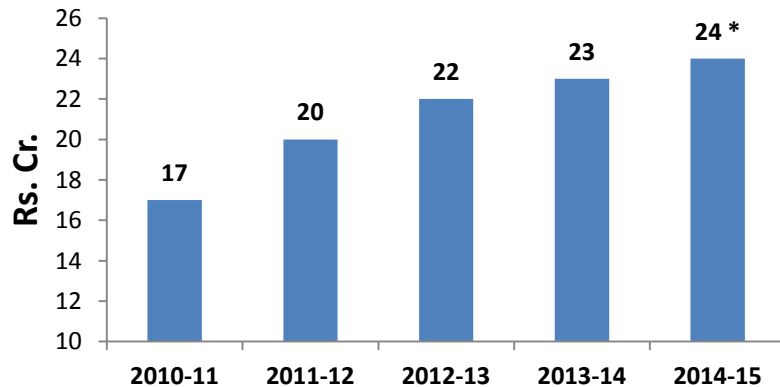
Total Revenue (Rs. Lakh)



EPS (Rs.)



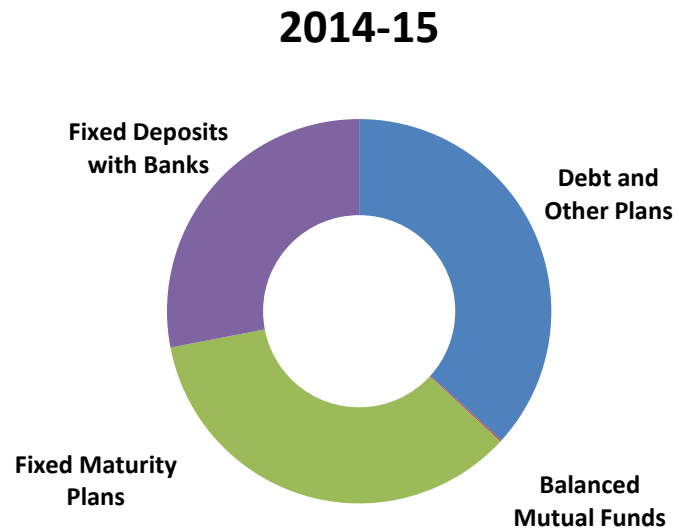
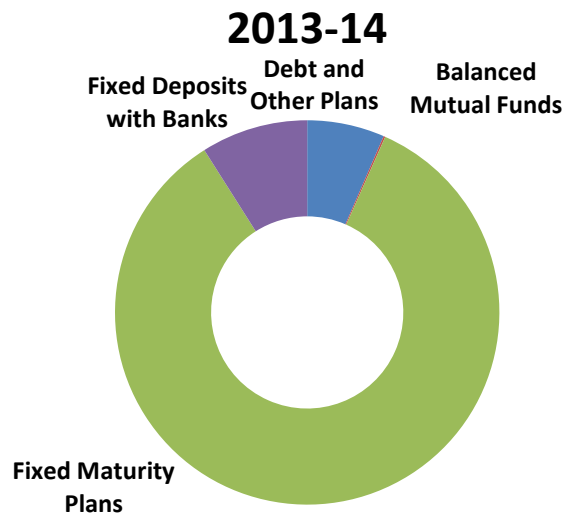
Dividend to Shareholders



**subject to shareholder's approval*

ICRA Group: Profile of Liquid Assets

Liquid Assets (Rs. lakh)	2013-14	2014-15
Debt and Other Plans	1,981	13,131
Balanced Mutual Funds	44	50
Fixed Maturity Plans	25,651	12,550
Fixed Deposits with Banks	2,734	10,020
Total Liquid Investments	30,410	35,751



Performance Review: ICRA Limited

Rating Performance Highlights FY2015

- **Pick up in Debt Markets & CP issuance with easing of yields & pick-up in economic activity**
- **Slowdown in systemic bank credit growth**
- **Moderate improvement in ICRA's market share in some segments**
- **Competitive intensity remains high**
- **SME business impacted by NSIC policy**

ICRA: Standalone Financials

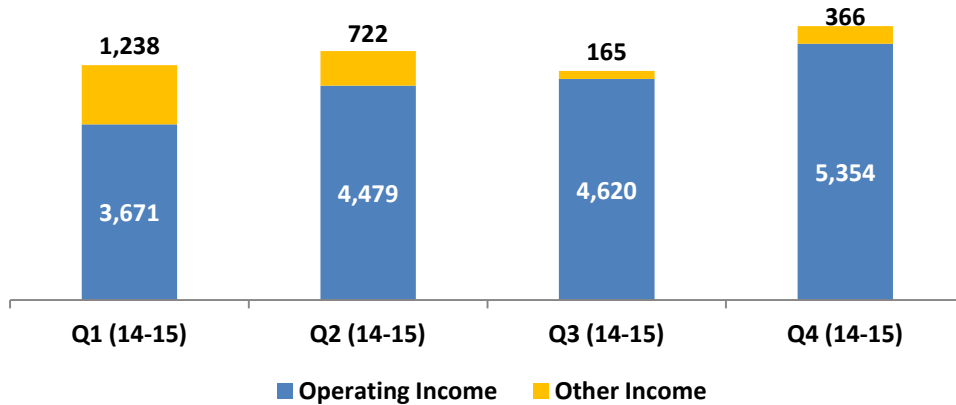
Revenues: (Rs. lakh)	2013-14	2014-15	Growth	2013-14	2014-15	Growth
	12m	12m	% YoY	Q4	Q4	% QoQ
Operating Income	16,290	18,125	11%	4,962	5,354	8%
Other Income	1,729	2,492	44%	357	366	3%
Total Income	18,019	20,617	14%	5,319	5,720	8%
Profit before depreciation, prior period adjustments, exceptional items & tax	8,437	9,899	17%	2,806	2,887	3%
Depreciation	245	369	51%	64	104	63%
Profit before prior period adjustments, exceptional items & tax	8,192	9,530	16%	2,742	2,783	1%
Prior Period Adjustments	0	765		0	0	
Profit before exceptional items & tax	8,192	8,765	7%	2,742	2,783	1%
Exceptional items	0	1,152		0	1,152	
PBT	8,192	7,613	-7%	2,742	1,631	-41%
Taxes	2,319	2,571	11%	842	901	7%
PAT	5,873	5,042	-14%	1,900	730	-62%
OPBDIT	6,708	6,642	-1%	2,449	2,521	3%
OPBDIT *	6,708	7,407	10%	2,449	2,521	3%
Key Ratios						
PBT (before exceptional items)/Total Income	45%	43%		52%	49%	
OBDIT/Operating Income	41%	37%		49%	47%	
OPBDIT/Operating Income *	41%	41%		49%	47%	
Tax/PBT	28%	34%		31%	55%	

- Prior period adjustments primarily related to Deferred Revenue and Lease Equalization Reserve
- 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

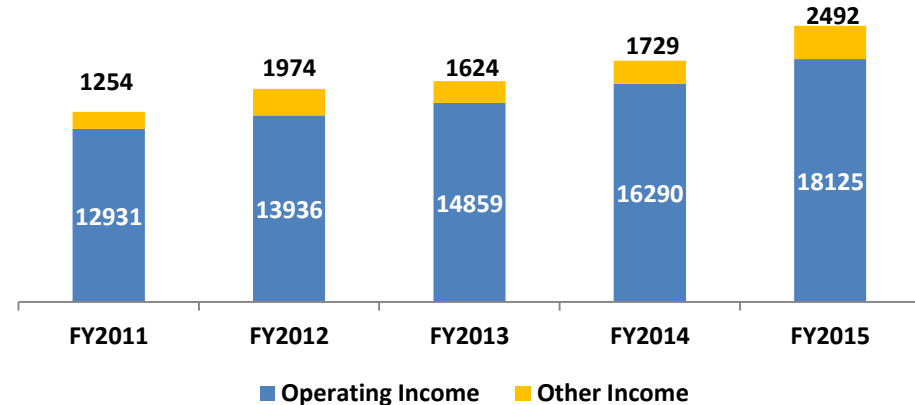
* (Excluding prior period adjustments)

ICRA: Trend in Financial Performance

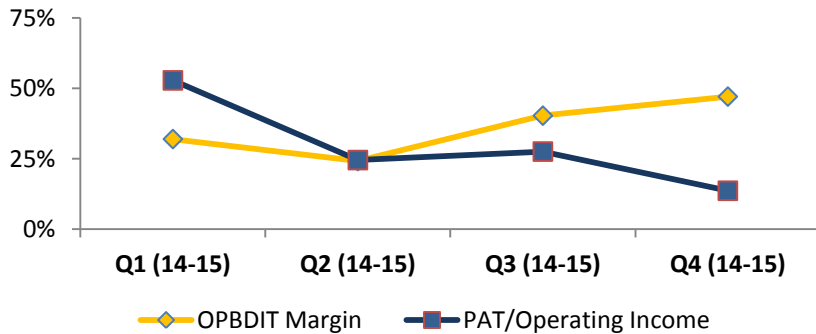
FY2015 Revenue (Rs. lakh)



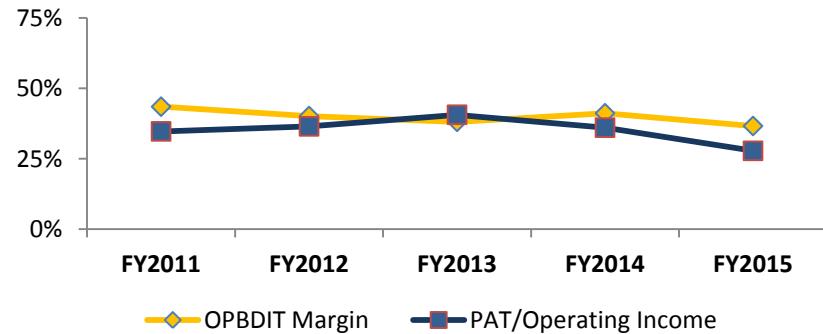
Y-o-Y Revenue (Rs. lakh)



FY2014 Key Ratios

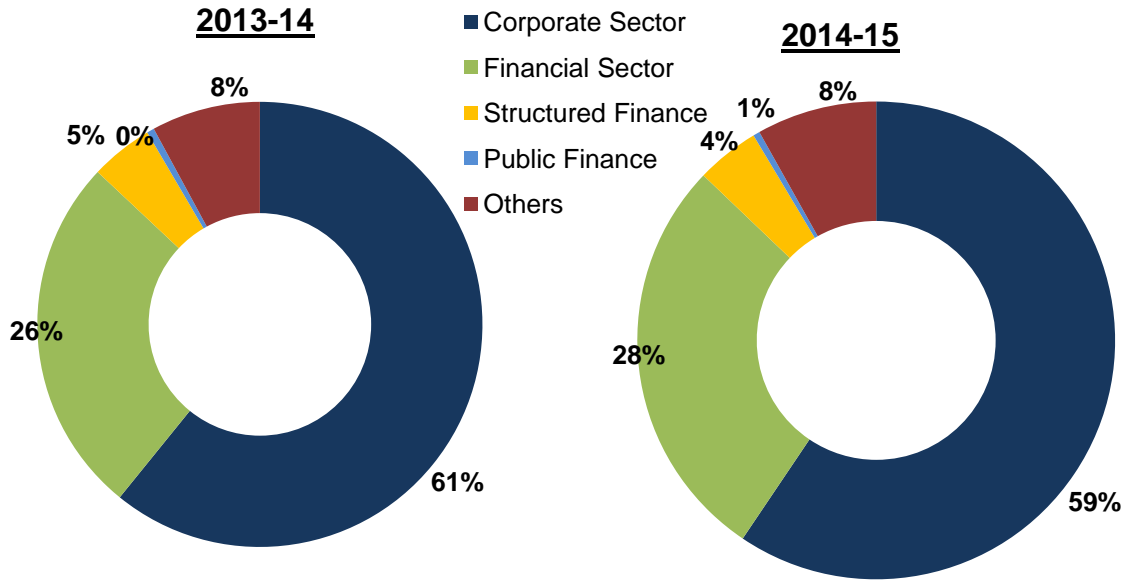


Y-o-Y Key Ratios

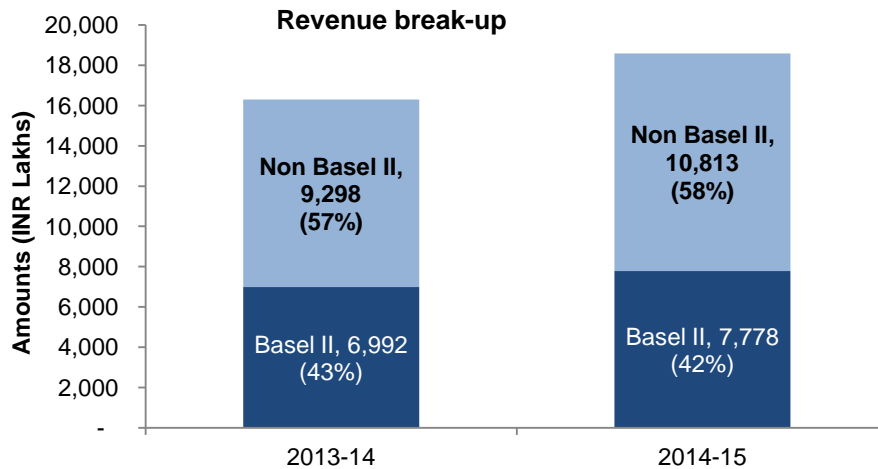


PAT/Operating Income in Q4 down because of impairment of investment in PT ICRA Indonesia

ICRA: Segment-wise Revenues*



Healthy growth in financial sector and other services; though contribution of these segments to total revenues continues to be lower vis-à-vis corporate sector

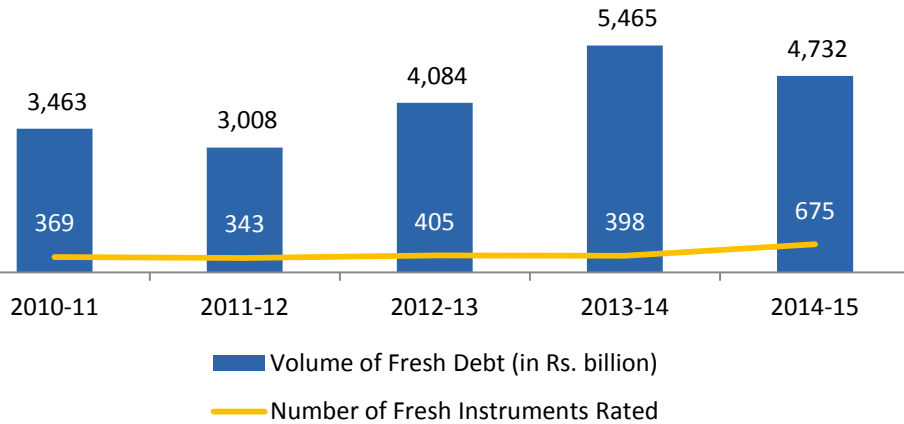


Non-Basel II revenues increased by 16% vis-à-vis 11% growth in Basel II revenues

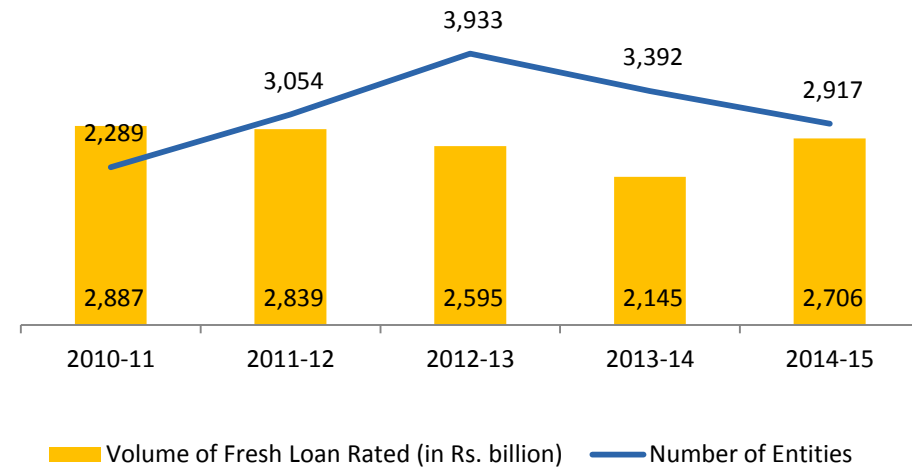
* As per original accounting policy for booking fresh rating income

ICRA: Rated Volumes

Debt Ratings



Bank Loan Ratings



ICRA: Challenges & Risk Factors

- **Despite several policy measures, investment activity yet to show a meaningful revival even as demand conditions 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**

Appendix

Conditional Open Offer by Moody's

- Moody's Singapore Pte Ltd along with Moody's Investment Company India Private Limited and Moody's Corporation made a Conditional Open Offer under Regulation 3(2) and Regulation 4 of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 ("**Takeover Regulations**") vide a Public Announcement dated February 21, 2014 for the acquisition, from public shareholders, of up to 26,50,000 equity shares, representing 26.50% of the total equity shares, of your Company, at a price of Rs. 2,000 per equity share and subsequently revised the price upwards to Rs. 2,400 per equity share.
- The tendering period commenced on June 3, 2014 and closed on June 16, 2014. Pursuant to the closing of the tendering period, Moody's Singapore Pte Ltd acquired 2,154,722 equity shares tendered in the Open Offer, amounting to a total of 21.55% of the equity share capital of the Company. This resulted in an increase in the Moody's Group's total equity shareholding in the Company to 50.06% of the equity share capital of your Company.

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.