



ICRA

ICRA Limited

February 9, 2017

Mr. Jeevan Noronha
Manager Listing Compliance
Department of Corporate Services
BSE Limited
Floor 1, Phiroze Jeejeebhoy Tower
Dalal Street, Mumbai – 400 001
Scrip Code: 532835

Mr. Hari K.
Vice-President
National Stock Exchange of India
Limited
Exchange Plaza, Bandra Kurla Complex
Bandra (E), Mumbai – 400 051
Symbol: ICRA

Sub: - Submission of Analyst Presentation (Q3 FY17)

Dear Sirs,

Pursuant to the applicable Regulations of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed Analyst Presentation, Q3 FY17.

Kindly take the above on record.

Regards,

Sincerely,

(S. Shakeb Rahman)
Company Secretary & Compliance Officer

Encl.: As above



ICRA Limited

Analyst Presentation, Q3 FY17
9th Feb, 2017



Table of Contents

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

Business Profile

ICRA Group Structure



*Working license surrendered

About ICRA

- ❑ ICRA Limited was set up in 1991 as a full-service Credit Rating Agency by leading Indian financial/investment institutions, commercial banks and financial services companies as an independent and professional investment information and credit rating agency
- ❑ Through its subsidiaries, ICRA offers consulting and outsourcing services
- ❑ ICRA shares are listed on the BSE and the National Stock Exchange. ICRA is majority-held by Moody's Group, which has 50.06% equity ownership stake in the Company

Performance Review: ICRA Limited

ICRA Standalone: Financial Highlights Q3 FY17 Vs Q3 FY16

- ❑ For the quarter ended December 31, 2016, the Company's operating income was INR 53.33 Crore, as against INR 50.10 Crore in the corresponding quarter of the previous financial year, reflecting a growth of 6.4%, due to growth in debt market related ratings.
- ❑ The other income in the current quarter is higher than the corresponding quarter, mainly due to dividend from subsidiary and higher interest income.
- ❑ PBT for the quarter was at INR 30.44 Crore, reflecting a growth of 28%, against the corresponding quarter of the previous financial year.
- ❑ PAT for the quarter was at INR 21.18 Crore, higher by 36% against the corresponding quarter.
- ❑ In the current quarter, there were certain one time/additional expenses aggregating to INR 5.56 Crore, on account of special bonus, additional deferred incentives effective from 1st April 2016 and change in compensated absences policy.

ICRA Standalone: Financial Highlights 9M FY17 Vs 9M FY16

- ❑ For the nine months ended December 31, 2016, the Company's operating income was INR 152.82 Crore, as against INR 141.99 Crore in the corresponding period of the previous financial year, reflecting a growth of 7.6%.
- ❑ PBT for nine months ended was INR 88.49 Crore, reflecting a growth of 28% over corresponding period of the previous financial year, mainly due to higher non operating income, including profit on sale of IT business.

ICRA: Standalone Financials

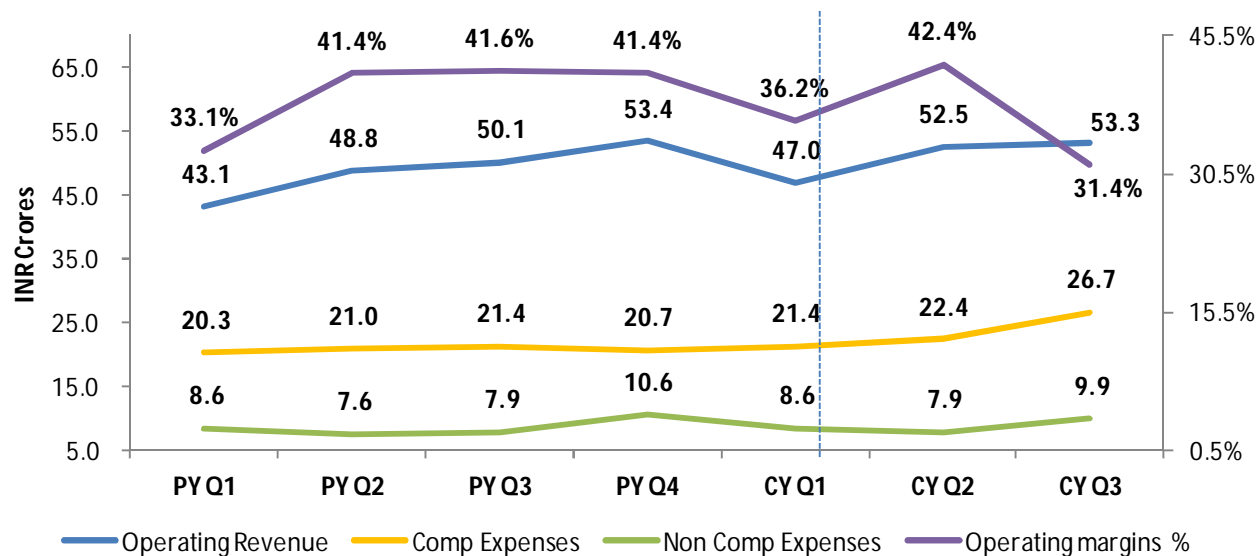
| Revenues (INR Lakh) | FY16 | FY17 | Growth | FY16 | FY17 | Growth |
|--|---------------|---------------|------------|--------------|--------------|-------------|
| | 9M | 9M | % | Q3 | Q3 | % |
| Operating Income | 14,199 | 15,282 | 8% | 5,010 | 5,333 | 6% |
| Other Income | 1,963 | 2,799 | 43% | 382 | 769 | 101% |
| Total Income | 16,162 | 18,081 | 12% | 5,392 | 6,102 | 13% |
| Personnel Expenses | 6,261 | 7,043 | 12% | 2,136 | 2,666 | 25% |
| Administrative Expenses | 782 | 834 | 7% | 278 | 274 | -1% |
| Other Expenses | 1,626 | 1,802 | 11% | 511 | 717 | 40% |
| Total Expenses | 8,669 | 9,679 | 12% | 2,925 | 3,657 | 25% |
| Profit before depreciation, prior period adjustments, exceptional items & tax | 7,493 | 8,402 | 12% | 2,467 | 2,445 | -1% |
| Depreciation | 249 | 234 | -6% | 90 | 82 | -9% |
| Profit before exceptional items & tax | 7,244 | 8,168 | 13% | 2,377 | 2,363 | -1% |
| Exceptional items* | (345) | 681 | 297% | - | 681 | |
| PBT | 6,899 | 8,849 | 28% | 2,377 | 3,044 | 28% |
| Taxes | 2,375 | 2,521 | 6% | 824 | 926 | 12% |
| PAT | 4,524 | 6,328 | 40% | 1,553 | 2,118 | 36% |
| Operating Profits (PBDIT) | 5,530 | 5,603 | 1% | 2,085 | 1,676 | -20% |
| Key Ratios | | | | | | |
| PBT (before exceptional items)/Total Income | 44.8% | 45.2% | | 44.1% | 38.7% | |
| Operating PBDIT/Operating Income | 38.9% | 36.7% | | 41.6% | 31.4% | |
| Adjusted Operating PBDIT/Operating Income** | 38.9% | 39.5% | | 41.6% | 41.9% | |
| Tax/PBT | 34.4% | 28.5% | | 34.7% | 30.4% | |

*Exceptional item in FY16 represents Impairment of investment in PT ICRA Indonesia

*Exceptional item in FY17 represents Capital Gain on ICTEAS transaction

**Adjusted for certain one time additional expenses

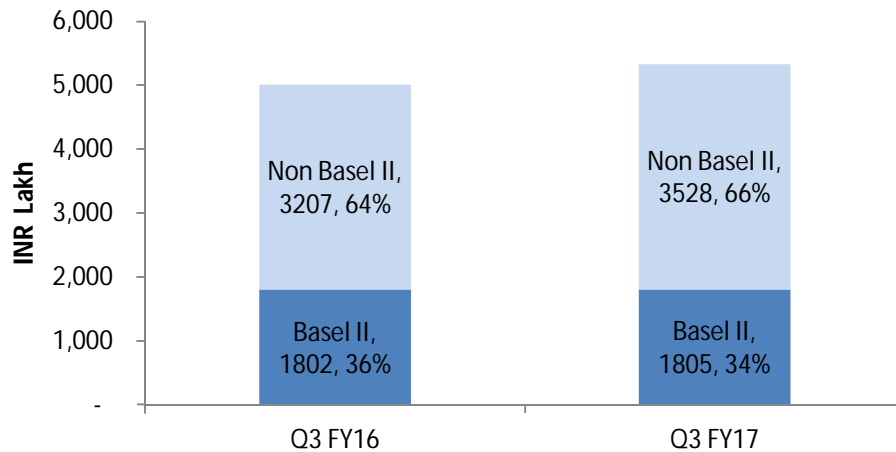
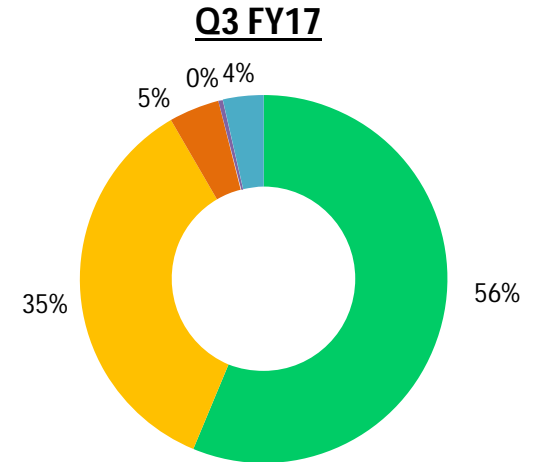
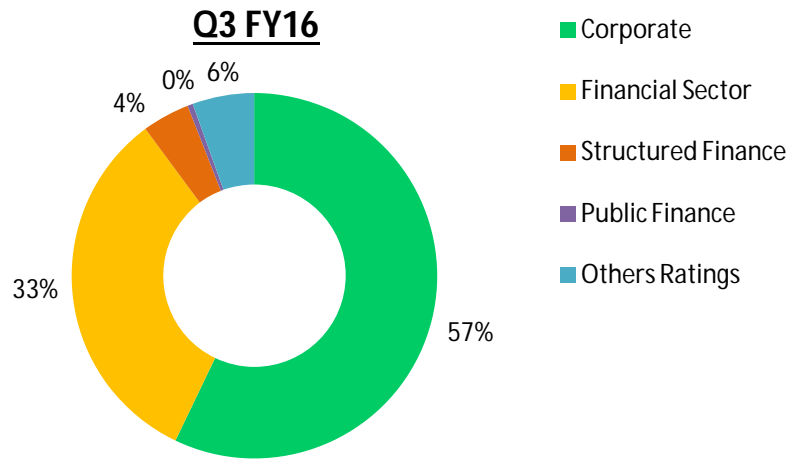
ICRA Standalone Profit & Loss (Quarterly Performance)



| ICRA Limited (INR Crores) * | PY Q1 | PY Q2 | PY Q3 | PY Q4 | CY Q1 | CY Q2 | CY Q3 |
|-----------------------------|-------|-------|-------|-------|-------|-------|-------|
| Operating Revenue | 43.1 | 48.8 | 50.1 | 53.4 | 47.0 | 52.5 | 53.3 |
| Comp Expenses | 20.3 | 21.0 | 21.4 | 20.7 | 21.4 | 22.4 | 26.7 |
| Non Comp Expenses | 8.6 | 7.6 | 7.9 | 10.6 | 8.6 | 7.9 | 9.9 |
| Operating Margins % | 33.1% | 41.4% | 41.6% | 41.4% | 36.2% | 42.4% | 31.4% |
| Adjusted Operating Margin % | | | | | | | 41.9% |

*PY: Previous year, CY: Current year

ICRA: Segment-wise Revenues



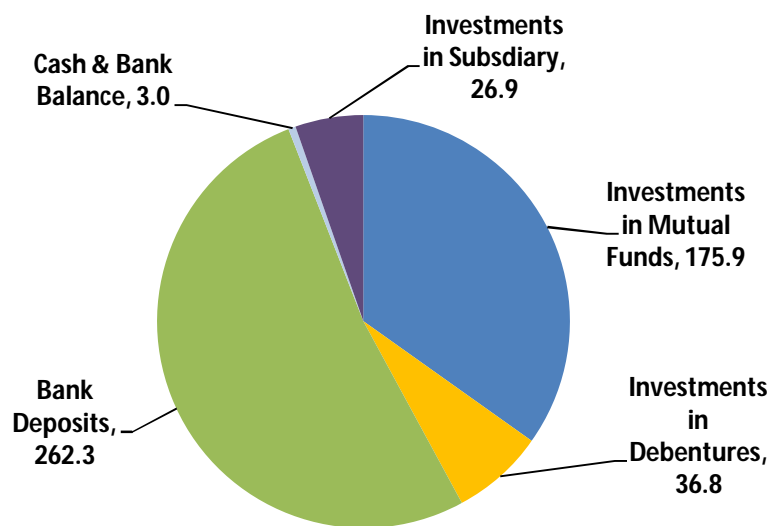
Subdued bank credit growth and the strategic shift away from low ticket segment impacted corporate sector revenue growth

Though Financial sector was impacted due to demonetisation, our business was supported by increased revenue from existing customer base

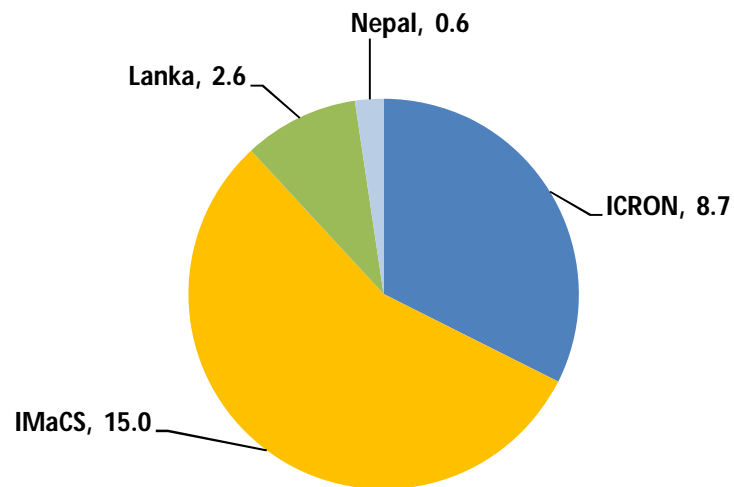
Securitisation issuances got moderated due to demonetisation led uncertainty on pool performance

ICRA: Investments as on December 31, 2016

ICRA Investments Standalone (504.9Cr)



Investments in Subsidiary (26.9 Cr)*

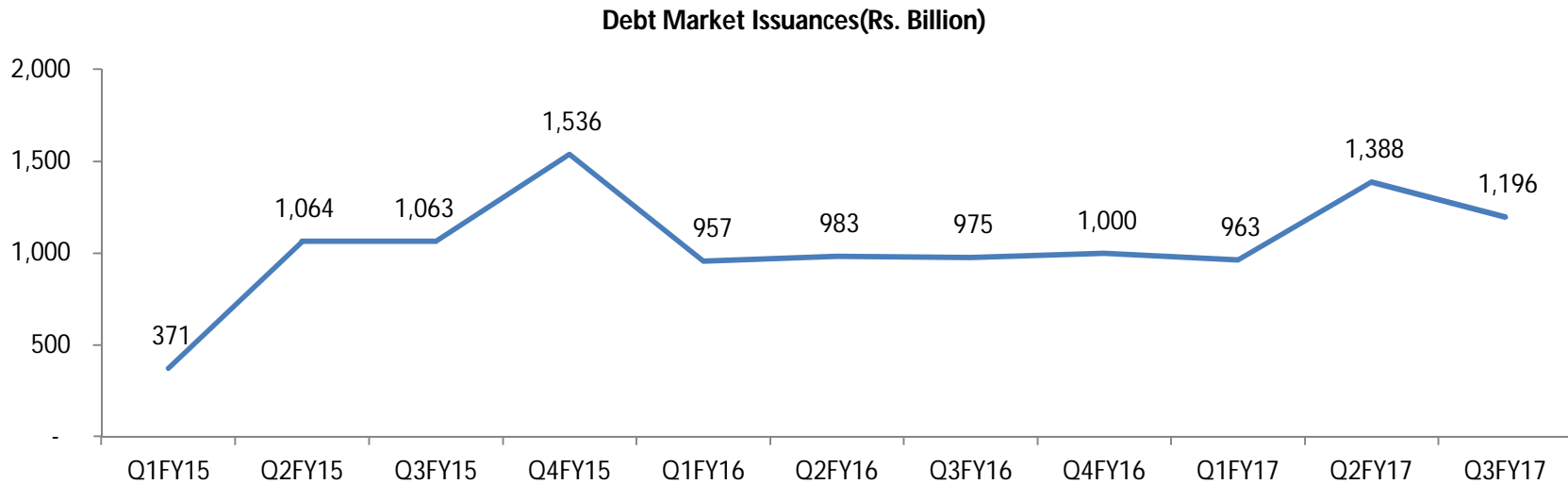


- ❑ Cash & Cash Equivalents (including Investments in MFs & FDs) of INR. 478.0 Cr for ICRA Standalone
- ❑ Yield of 9.3% on MF, 7.4% on Bank deposits and 10% on Debentures

* Post ICTEAS sale as on October 7, 2016 and impairment recognition in PT ICRA Indonesia in previous years

Operating Environment

- ❑ Capacity overhang and leveraged corporate balance sheets defer pick up in investment activity. Demonetization further defers revival.
- ❑ Capital constraints, coupled with weak demand and asset quality, keep the bank credit growth subdued
- ❑ Debt Market issuance during Q3 increased by 23% year on year. Corporate issuances drove debt market growth. After a strong growth in H1 , CP issuances moderated in Q3



Source: Bloomberg

ICRA: Challenges & Risk Factors

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

Performance Review: ICRA Group

ICRA Group: Financial Highlights Q3 FY17 Vs Q3 FY16

- ❑ For the quarter ended December 31, 2016, consolidated operating income was INR 75.47 Crore, as against INR 87.54 Crore in the corresponding quarter of the previous financial year. The sale of IT business during the current quarter, resulted into a decline in the operating income, as the revenues from this segment were recognized till October 7, 2016, being the transaction date.
- ❑ Consolidated PBT in the current quarter was at INR 21.77 Crore, as against INR 30.59 Crore in the corresponding quarter, mainly due to sale of IT business and certain one-time additional expenses.
- ❑ In the current quarter, there were certain one time/additional expenses aggregating to INR 8.43 Crore, on account of special bonus, additional deferred incentives effective from 1st April 2016, change in compensated absences policy, fixed assets impairment and additional provisioning due to termination of a specific contract.

ICRA Group: Financial Highlights 9M FY17 Vs 9M FY16

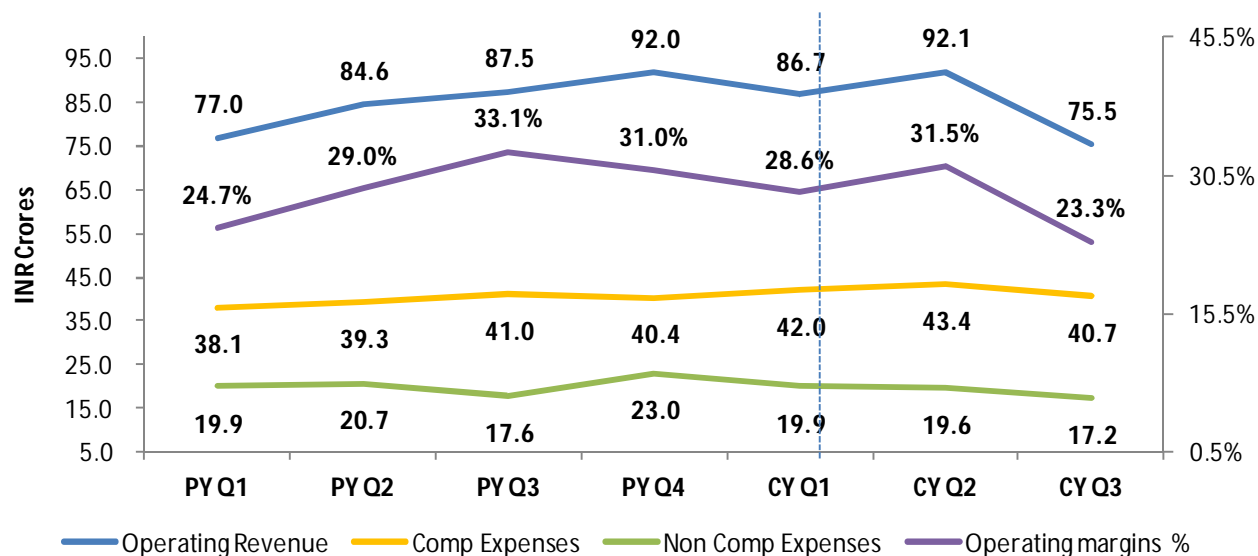
- ❑ For the nine months ended December 31, 2016, consolidated operating income was INR 254.25 Crore, as against INR 249.14 Crore in the corresponding quarter of the previous financial year, reflecting a nominal growth due to partial recognition of IT business revenues till the date of transaction. Other business segments have shown a growth of 9% on year-on-year basis.

ICRA Group: Consolidated Financials

| Revenues (INR Lakh) | FY16 | FY17 | Growth | FY16 | FY17 | Growth |
|--|---------------|---------------|------------|--------------|--------------|-------------|
| | 9M | 9M | % | Q3 | Q3 | % |
| Ratings | 14,375 | 15,473 | 8% | 5,082 | 5,405 | 6% |
| Consultancy | 2,112 | 2,197 | 4% | 768 | 758 | -1% |
| Outsourced and Information Services | 3,048 | 3,628 | 19% | 1,105 | 1,245 | 13% |
| IT related (Sales & Professional) | 5,379 | 4,127 | -23% | 1,799 | 139 | -92% |
| Total Operating Income | 24,914 | 25,425 | 2% | 8,754 | 7,547 | -14% |
| Other Income | 2,217 | 1,827 | -18% | 419 | 625 | 49% |
| Total Income | 27,131 | 27,252 | 0% | 9,173 | 8,172 | -11% |
| Profit before interest, depreciation, prior period adjustments, exceptional items & tax | 9,469 | 8,963 | -5% | 3,317 | 2,383 | -28% |
| Interest | 55 | - | | - | - | |
| Profit before depreciation, prior period adjustments, exceptional items & tax | 9,414 | 8,963 | -5% | 3,317 | 2,383 | -28% |
| Depreciation | 674 | 653 | -3% | 258 | 206 | -20% |
| PBT | 8,740 | 8,310 | -5% | 3,059 | 2,177 | -29% |
| Taxes | 3,033 | 3,074 | 1% | 1,070 | 938 | -12% |
| PAT (before minority interest) | 5,707 | 5,236 | -8% | 1,989 | 1,239 | -38% |
| Operating PBDIT/Operating Income | 29.1% | 28.1% | | 33.1% | 23.3% | |
| Adjusted Operating PBDIT/Operating Income* | 29.1% | 31.6% | | 33.1% | 35.8% | |

* Adjusted for certain one time additional expenses

ICRA GROUP Profit & Loss (Quarterly Performance)



| ICRA Group (INR Crores) | PY Q1 | PY Q2 | PY Q3 | PY Q4 | CY Q1 | CY Q2 | * CY Q3 |
|-----------------------------|-------|-------|-------|-------|-------|-------|---------|
| Operating Revenue | 77.0 | 84.6 | 87.5 | 92.0 | 86.7 | 92.1 | 75.5 |
| Comp Expenses | 38.1 | 39.3 | 41.0 | 40.4 | 42.0 | 43.4 | 40.7 |
| Non Comp Expenses | 19.9 | 20.7 | 17.6 | 23.0 | 19.9 | 19.6 | 17.2 |
| Operating Margins % | 24.7% | 29.0% | 33.1% | 31.0% | 28.6% | 31.5% | 23.3% |
| Adjusted Operating Margin % | | | | | | | 35.8% |

* Includes 7 days of ICTEAS

ICRA Group: Segment wise Composition

| Revenue Composition | FY16 | FY17 | FY16 | FY17 |
|-------------------------------------|-------------|-------------|-------------|-------------|
| | 9M | 9M | Q3 | Q3 |
| Ratings | 58% | 61% | 58% | 72% |
| Consultancy | 8% | 9% | 9% | 10% |
| Outsourced and Information Services | 12% | 14% | 13% | 16% |
| IT related (Sales & Professional) | 22% | 16% | 21% | 2% |
| Total Operating Income | 100% | 100% | 100% | 100% |

| Operating Margins Composition | FY16 | FY17 | FY16 | FY17 |
|-------------------------------------|-------------|-------------|-------------|-------------|
| | 9M | 9M | Q3 | Q3 |
| Ratings | 76% | 80% | 74% | 98% |
| Consultancy | 3% | 0% | 4% | -1% |
| Outsourced and Information Services | 13% | 16% | 13% | 18% |
| IT related (Sales & Professional) | 7% | 4% | 9% | -15% |
| Total OPBIT | 100% | 100% | 100% | 100% |

ICRA Group: Segment wise Composition

| Operating Margins % | FY16 | FY17 | FY16 | FY17 |
|--------------------------------------|------------|------------|------------|------------|
| | 9M | 9M | Q3 | Q3 |
| Ratings | 39% | 37% | 42% | 32% |
| Consultancy | 11% | 0% | 15% | -3% |
| Outsourcing and Information | 31% | 31% | 34% | 25% |
| IT related (Sales & Professional) | 10% | 6% | 14% | -186% |
| Consolidated Operating Margin | 29% | 28% | 33% | 23% |

| Adjusted Operating Margins %* | FY16 | FY17 | FY16 | FY17 |
|--------------------------------------|------------|------------|------------|------------|
| | 9M | 9M | Q3 | Q3 |
| Ratings | 39% | 40% | 42% | 42% |
| Consultancy | 11% | 5% | 15% | 9% |
| Outsourcing and Information | 31% | 34% | 34% | 34% |
| IT related (Sales & Professional) | 10% | 13% | 14% | -54% |
| Consolidated Operating Margin | 29% | 32% | 33% | 36% |

* Adjusted for certain one time additional expenses

ICRA Group: Update on Consultancy Services

❑ Operating Revenue marginally lower in Q3 FY17

- Delay in new orders and execution of ongoing assignment

❑ Operating Margin at negative 3% in Q3 FY17, compared to 15% in Q3 FY16

- Decrease in operating margin is primarily due to higher provisioning for specific project and as per the provisioning policy of the Company

❑ Challenges

- Market for consultancy services continues to be sluggish with no significant upturn in the investment cycle
- Consulting spend in the Banking and Corporate sectors continue to be subdued

ICRA Group: Update on Outsourcing & Information Services

❑ Operating Revenue growth of 13% in Q3 FY17(YoY)

- Revenue from outsourcing services grew primarily on account of growth in existing and new projects both in domestic and global market. This growth includes 2% benefit due to INR depreciation

❑ Operating Margin at 25% in Q3 FY17, compared to 34% in Q3 FY16

- Dip in Operating Margin because of change in compensated absences policy and fixed assets impairment

❑ Challenges

- To expand client-base and offerings

Divestment of ICTEAS

- ❑ The Board of Directors of the Company at its meeting held on August 5, 2016 and the Members of the Company through Postal Ballot, on September 17, 2016, approved sale of the entire shareholding held by the Company in ICRA Techno Analytics Limited ("ICTEAS") (now known as "Nihilent Analytics Limited") to Nihilent Technologies Limited, for a consideration of Rs. 68.75 Crores, comprising (i) payment of cash consideration of Rs. 32.00 Crore; and (ii) unsecured, unrated, 10% interest bearing and unlisted non-convertible debentures, issued for the balance amount, to be redeemed after one year and fifteen days from the date of allotment i.e. October 7, 2016.
- ❑ The transaction got consummated on October 7, 2016, and as a result, ICTEAS along with its subsidiaries ceased to be subsidiary of the Company.

Buy Back of Equity Shares

- ❑ The Board of Directors of the Company in its meeting today have approved the buyback of its equity shares from open market through stock exchange, at a maximum price of INR 4500 per equity share, for an amount not exceeding INR 40 Crore.
- ❑ The buyback will help the Company effectively utilize its available surplus funds, which is in excess of the surplus amount needed to be retained by the Company for the future growth of the Company as envisaged by the Board.
- ❑ The buyback will enhance overall long term shareholders' value for continuing shareholders, without compromising on the future growth opportunities of the Company, as well as provide an exit opportunity to the public shareholders.
- ❑ This may lead to reduction in outstanding equity shares of the Company, improvement in 'earnings per share' and enhanced return on equity, assuming that the Company would earn similar profits as in the past.

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/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.

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