



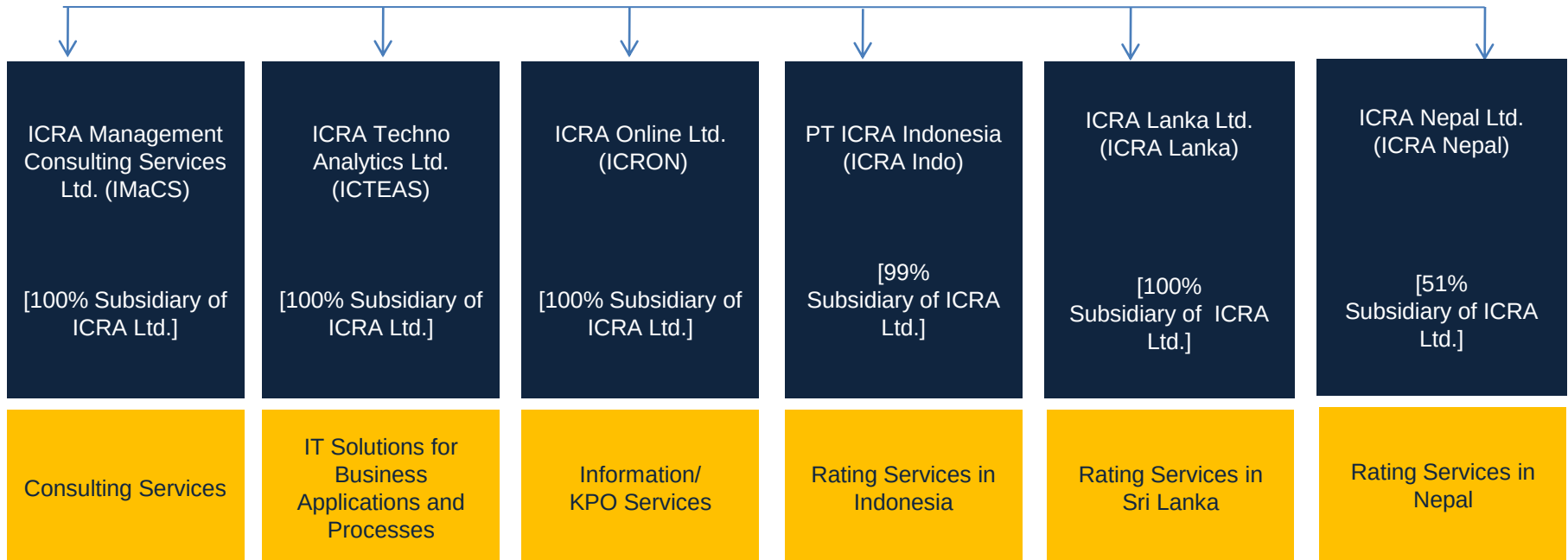
ICRA Limited

Analyst Presentation, 2013-14
May 2014

Business Profile

Business Profile

ICRA Limited Rating, Grading & Information Services



- ICRA is one of the leading credit rating agencies in India, and an Associate of Moody's Investors Service
- 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 Limited

Rating Performance Highlights FY2014

- Economic especially investment slowdown, and high interest rates lead to:
 - Decline in overall debt market issuance by ~27%
 - Subdued growth in bank loan market
- Stability/improvement in bank loan rating fee, however business growth moderate at ~8%
 - Decline in number of entities rated at industry level
 - Pressure on existing issuer base leading to attrition, renegotiation of surveillance fees
- Good traction in SSI/SME ratings

ICRA: Q4 Update

Revenues: (Rs. lakh) Period	2012-13 Q4	2013-14 Q4	Growth	Q3 (13-14)	(Q4/Q3)
Operating Income	4,630	4,962	7%	4,253	17%
Other Income	1,011	357	-65%	51	600%
Total Income	5,641	5,319	-6%	4,304	24%
PBDT	3,235	2,806	-13%	1,911	47%
Depreciation	60	64	7%	67	-4%
PBT	3,175	2,742	-14%	1,844	49%
Taxes	426	842	98%	628	34%
PAT (Reported)	2,749	1,900	-31%	1,216	56%
PAT *	2,793	1,900	-32%	1,234	54%
Operating Profits (PBDIT)	2,415	2,622	9%	2,010	30%
Operating Profits (PBDIT)*	2,473	2,622	6%	2,035	29%
Key Ratios					
Personnel Expenses/Total Income	30%	34%		41%	
Personnel Expenses/Total Income *	29%	34%		40%	
Admn. & Other Expenses/Total Income	13%	13%		15%	
PBDIT/Total Income	57%	53%		44%	
Operating PBDIT/Operating Income	52%	53%		47%	
Operating PBDIT/Operating Income *	53%	53%		48%	
Tax/PBT	13%	31%		34%	

- Moderate y-o-y but healthy q-o-q growth in Operating Income
- Operating Profits show moderate pickup y-o-y
- Steep increase in tax provision y-o-y as previous year benefited from ESOP related tax reversal

*Without the impact of ESOS amortisation

ICRA: Standalone Financials

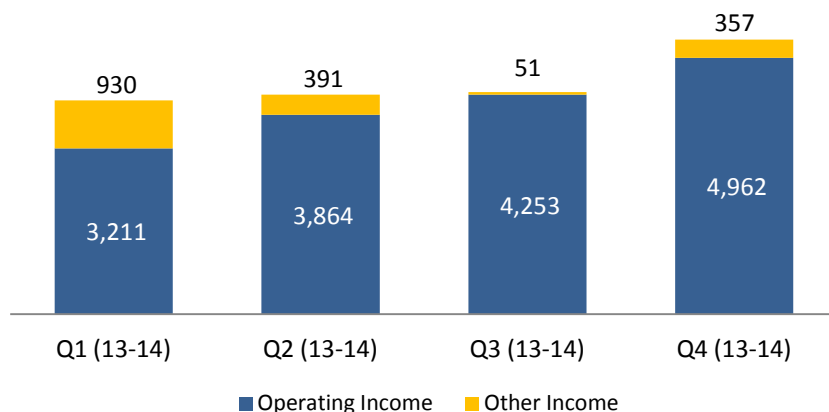
Revenues: (Rs. lakh) Period	2012-13 12M	2013-14 12M	Growth
Operating Income	14,860	16,290	10%
Other Income	1,624	1,729	6%
Total Income	16,484	18,019	9%
PBDT	7,499	8,437	13%
Depreciation	211	245	16%
PBT	7,288	8,192	12%
Taxes	1,250	2,319	86%
PAT (Reported)	6,038	5,873	-3%
PAT*	6,363	5,969	-6%
Operating Profits (PBDIT)	6,595	7,433	13%
Operating Profits (PBDIT)*	7,023	7,563	8%
Key Ratios			
Personnel Expenses/Total Income	39%	38%	
Personnel Expenses/Total Income*	36%	37%	
Admn. & Other Expenses/Total Income	16%	15%	
PBDIT/Total Income	45%	47%	
Operating PBDIT/Operating Income	44%	46%	
Operating PBDIT/Operating Income*	47%	46%	
Tax/PBT	17%	28%	

- Moderate growth in Total Income
- Steep increase in tax impacts PAT
- Income Tax provision relating to previous years adjusted against tax in FY2013. Excluding this, PAT for FY2014 higher by 9% over previous fiscal

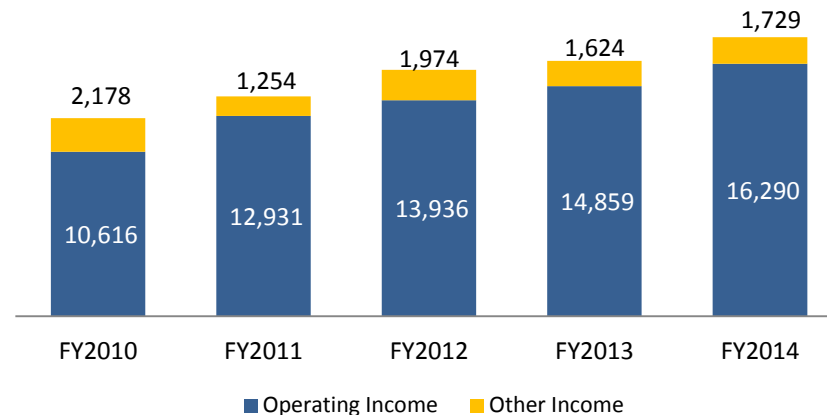
*Without the impact of ESOS amortisation

ICRA: Trend in Financial Performance

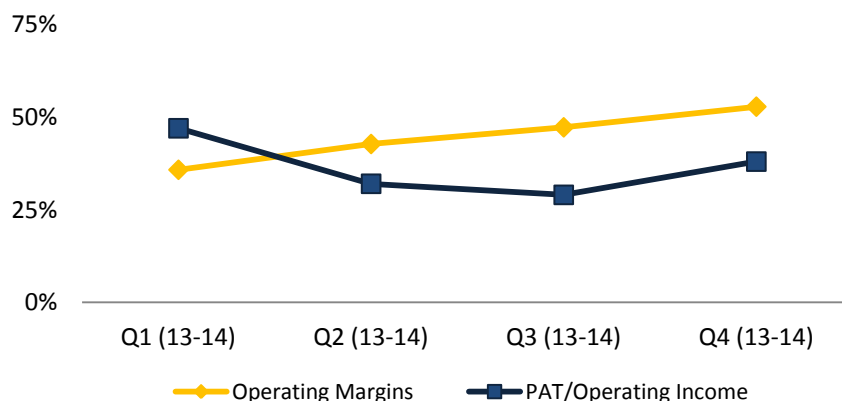
FY2014 Revenue (Rs. lakh)



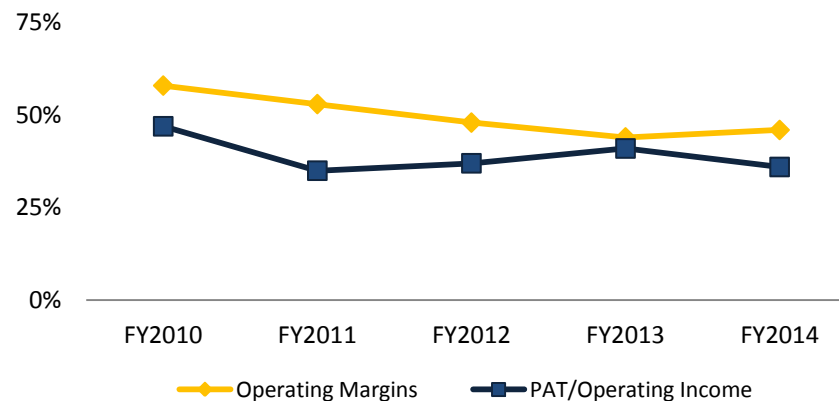
Y-o-Y Revenue (Rs. lakh)



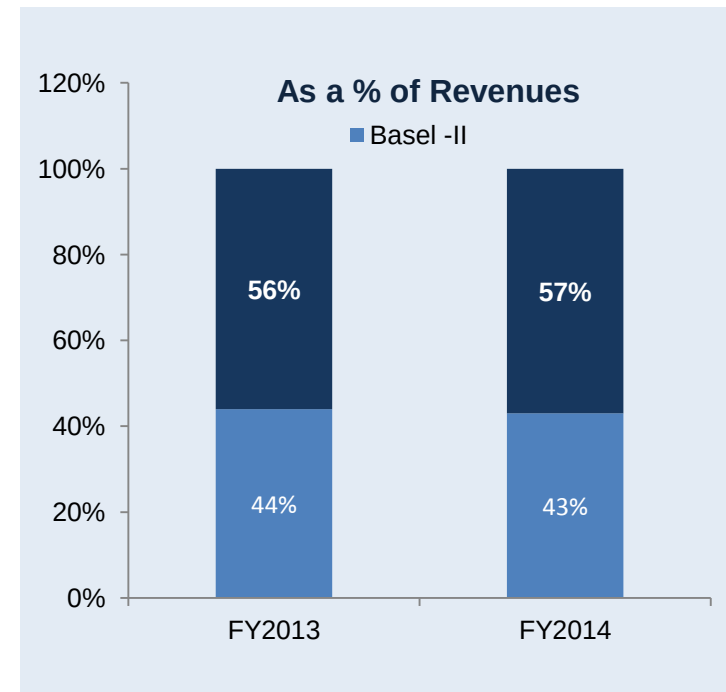
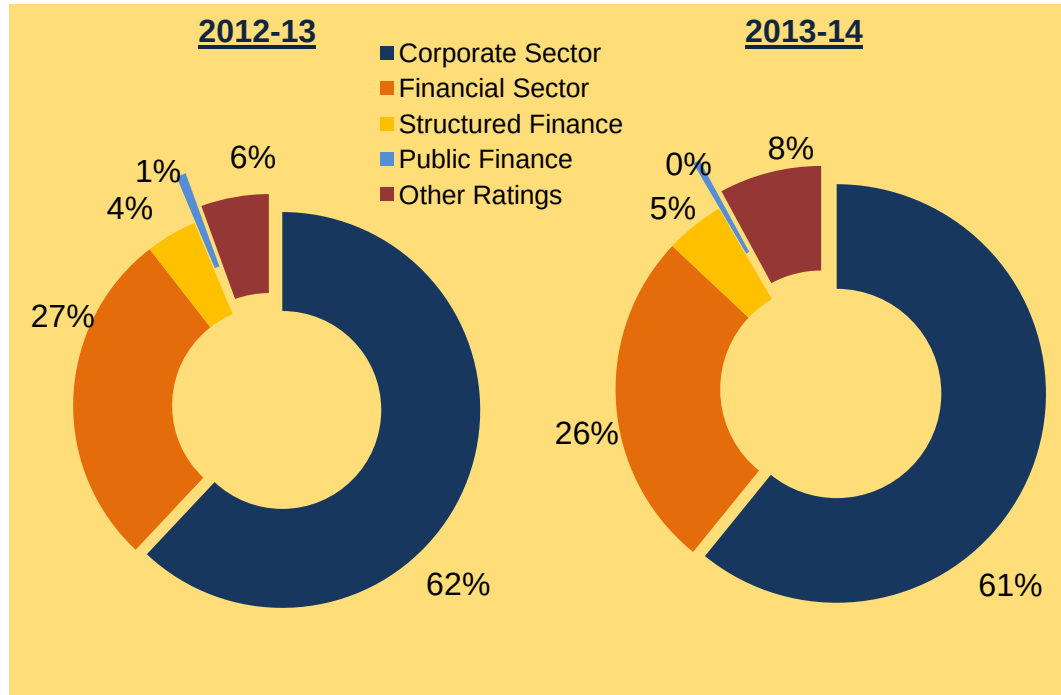
FY2014 Key Ratios



Y-o-Y Key Ratios

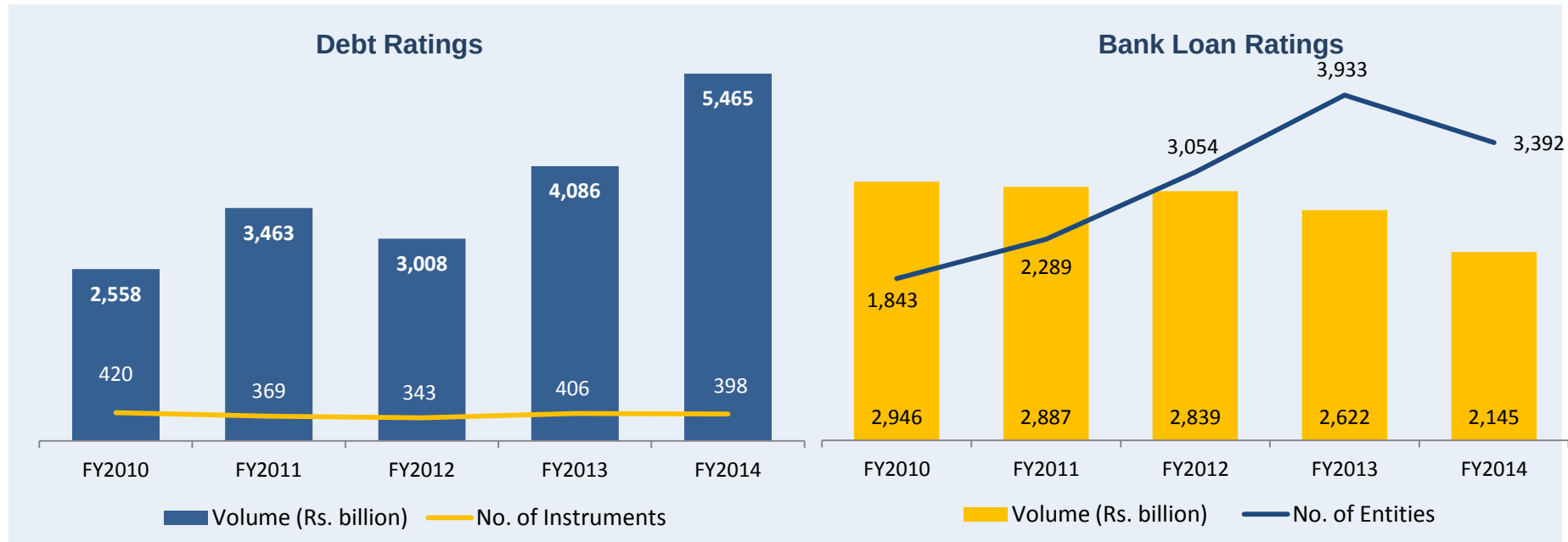


ICRA: Segment-wise Revenues



- Moderate to low growth in traditional segments
- Significant growth in other services and structured finance, though on a lower base

ICRA: Rated Volumes



- Growth in volume of rated debt, but marginal decline in number of instruments rated
- Sluggish economy, rising competitive pressures, smaller ticket size lead to decline in number and volume of bank loan ratings

ICRA: Business Outlook

Debt Market

- Moderate pick-up in macroeconomic activity expected in H2FY2015
- Positive long/medium term outlook, given low penetration levels and expected revival in investments. Refinancing activities also likely to support growth in issuance

Bank Loans

- Bank credit likely to report a moderate 14-15% growth
- Competitive pressures expected to remain high
- Ticket size likely to remain small in short term

Structured Finance

- Positive outlook on growth with priority sector related issuance being the main driver

New Products

- Successful scale-up of non-traditional product lines expected to provide additional growth opportunities

Key sensitivities: Revival of investments and moderation of interest rates

ICRA: Challenges & Risk Factors

- Significant slowdown in economic or investment growth
- 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

- Consolidated Group Operating Income grew by a moderate 13% (PY: 21%)
- Consolidated Group Net Profit up 17% (PY: 9%)
- EPS improved to Rs. 68.93 (PY: Rs. 59.16)
- Dividend of Rs. 23 per share proposed

ICRA Group: Business Update (1)

Advisory Services

- **Revenue marginally up by 3% in FY2014 (PY: 2%)**
 - Economic slowdown, higher business uncertainty curbed spend on consulting
 - Pricing pressures increased because of new-project delays, excess consulting capacity
- **PBT up 396% albeit on small base (59% rise if one-off extraordinary expense in PY ignored)**
 - Increase in share of higher value consulting projects in overall business mix, tight management of operating expenditure helped improve operating profitability

ICRA Group: Business Update (2)

Outsourcing & Information Services

- **Revenue grew 24% (PY: 23%)**
- **Margins increased from 16% to 25%**
 - Operating efficiency and higher-value projects primarily responsible for these gains; 10% of incremental gains due to rupee depreciation
- **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 20% in FY2014 to Rs. 65.51 crore**
 - Rise in average dollar conversion rate in FY2014 from Rs. 54.45 to Rs. 60.50 contributed ~12% to growth
 - Growth attributable mainly to new projects from existing customers
- **Operating EBIDTA grew to Rs. 11.72 crore in FY2014 from a negative (-) Rs. 2.00 crore in FY2013**
 - Operating EBIDTA negative in FY2013 because of write-off of bad debts/provision for doubtful debts, legal expenses relating primarily to BPA
- **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)	Q4(12-13)	Q4(13-14)	Gr %	Q3 (13-14)	(Q4/Q3)
Ratings	4,626	4,979	8%	4,318	15%
Consultancy	756	802	6%	681	18%
Outsourced and Information Services	545	690	27%	699	-1%
IT related (Sales & Professional)	1,362	1,558	14%	1,723	-10%
Total Operating Income	7,289	8,029	10%	7,421	8%
Other Income	1,039	310	-70%	23	1248%
Total Income	8,328	8,339	0%	7,444	12%
PBDT	3,091	3,392	10%	2,359	44%
Depreciation	131	187	43%	176	6%
PBT	2,960	3,205	8%	2,183	47%
Taxes	410	1,030	151%	712	45%
PAT (Reported)	2,550	2,175	-15%	1,471	48%
PAT*	2,594	2,175	-16%	1,489	46%

*Without the impact of ESOS amortisation

ICRA Group: Consolidated Financials

Revenues: (Rs. lakh)	2012-13	2013-14	Growth
Period	12M	12M	%
Ratings	14,955	16,425	10%
Consultancy	2,573	2,652	3%
Outsourced and Information Services	2,160	2,668	24%
IT related (Sales & Professional)	5,453	6,551	20%
Total Operating Income	25,141	28,296	13%
Other Income	1,791	1,910	7%
Total Income	26,932	30,206	12%
PBDT	7,687	10,392	35%
Depreciation	483	601	24%
PBT	7,204	9,791	36%
Taxes	1,323	2,899	119%
PAT (Reported)	5,881	6,892	17%
PAT*	6,206	6,988	13%

**Without the impact of ESOS amortisation*

ICRA Group: Consolidated Financials

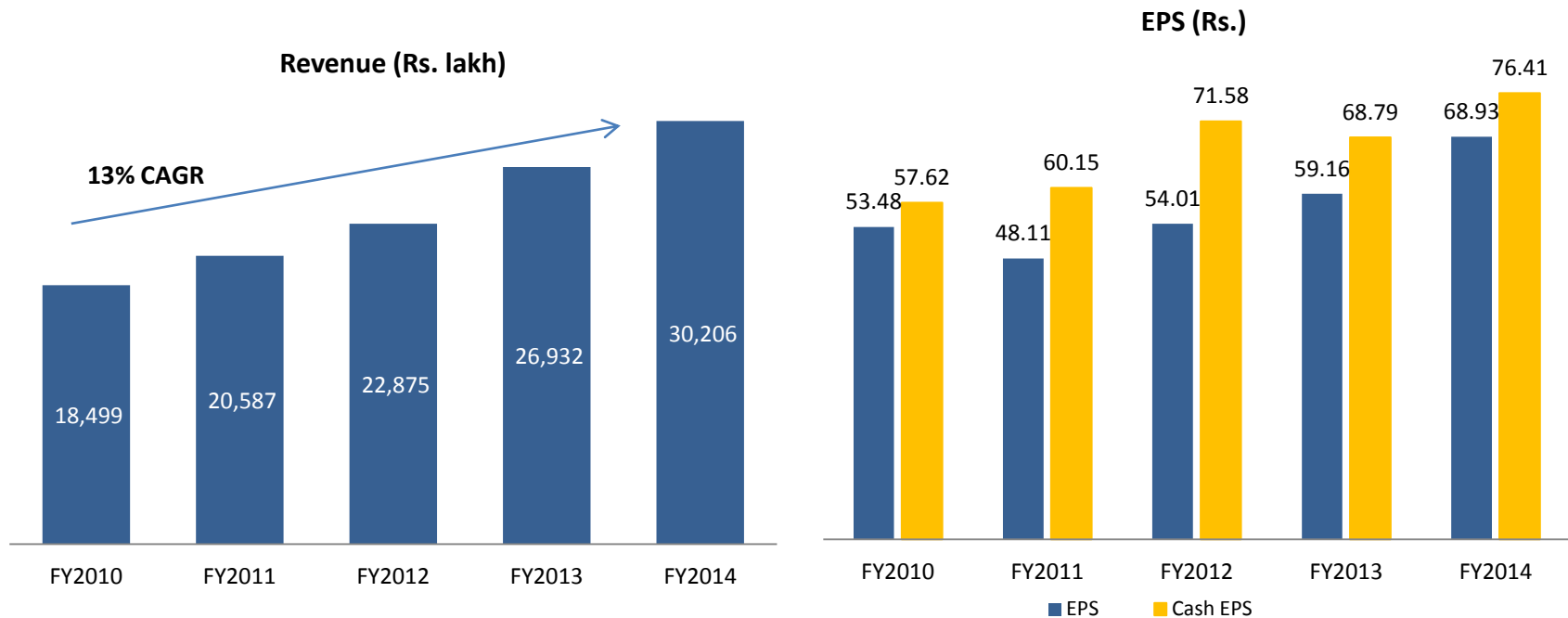
Revenue Contribution	2012-13	2013-14
Period	12M	12M
Ratings	59%	58%
Consultancy	10%	9%
Outsourced and Information Services	9%	9%
IT related (Sales & Professional)	22%	23%
Total Operating Income	100%	100%

Segment-wise PBDIT Contribution	2012-13	2013-14
Ratings	96%	79%
Consultancy	2%	2%
Outsourced and Information Services	5%	7%
IT related (Sales & Professional)	-3%	12%
Total OPBDIT	100%	100%

ICRA Group: Consolidated Financials

Profitability-related Indicators	2012-13	2013-14
Period	12M	12M
Segment-wise OPBDIT Margins		
Ratings PBDIT margins	44%	46%
Consulting PBDIT margins	5%	7%
Outsourcing and Information PBDIT margins	16%	25%
IT PBDIT margins	-4%	18%
<i>EPS (Wtd. Avg.) in Rs.</i>	59.16	68.93
<i>EPS (Wtd. Avg.) y-o-y growth</i>		17%
<i>Cash EPS (Wtd. Avg.) in Rs.</i>	68.79	76.41
<i>Cash EPS (Wtd. Avg.) y-o-y growth</i>		11%

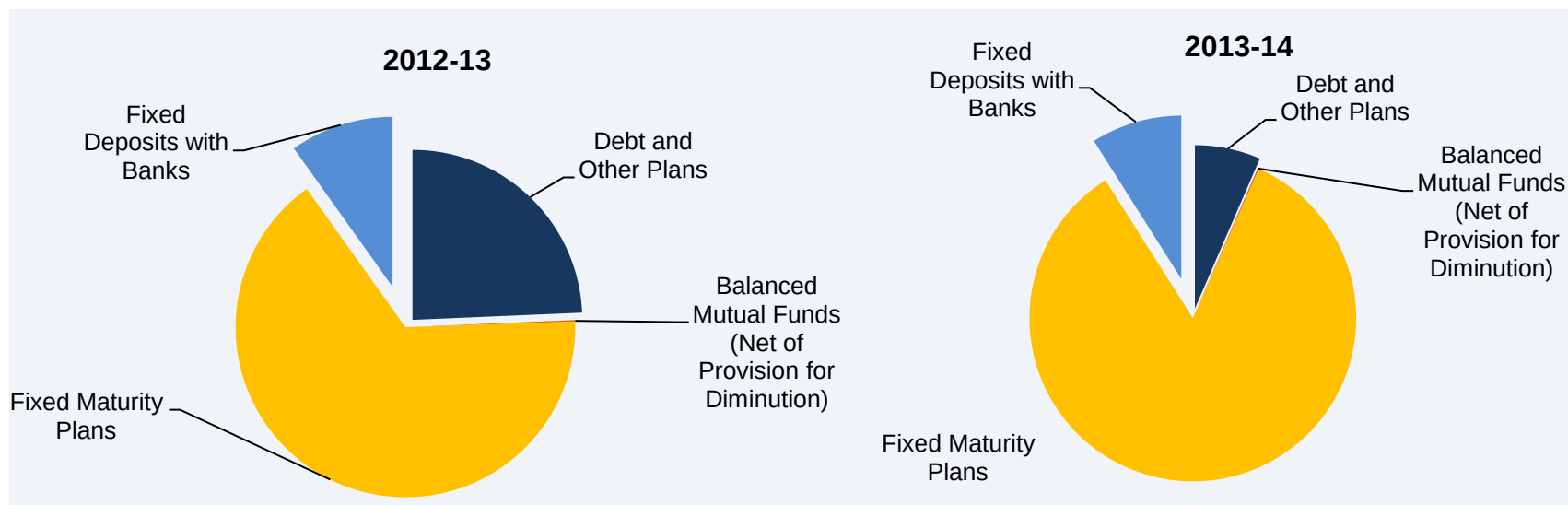
ICRA Group: Performance Over the Years



ICRA Group: Profile of Liquid Assets

Liquid Assets (Rs. lakh)	2012-13	2013-14
Debt and Other Plans	6,186	1,981
Balanced Mutual Funds (Net of Provision for Diminution)	38	44
Fixed Maturity Plans	16,700	25,651
Fixed Deposits with Banks	2,508	2,734
Total Liquid Investments	25,432	30,410

- **Continue to maintain conservative approach towards investments**
- **Fixed Maturity Plans account for 84.4% of liquid assets**



Conditional Open Offer by Moody's

- **Moody's Singapore Pte Ltd along with Moody's Investment Company India Private Limited and Moody's Corporation has made a Conditional Open Offer for the acquisition of up to 26.50% of the total equity shares of ICRA, at a price of Rs. 2,000 per equity share, from public shareholders**
- **At present, Moody's Investment Company India Private Limited holds 28.509% of the total equity share capital of ICRA**
- **The Open Offer is conditional on the acquisition of a minimum of 21.49101% of the total equity share capital of ICRA. Acquisition of the minimum 21.49101% equity shares will take up Moody's shareholding to 50.00001%, thereby making Moody's the majority shareholder of ICRA. In case of full acceptance of the Offer, Moody's will hold 55.009% of the total equity share capital of ICRA**
- **The Conditional Open Offer is subject to the approval of the Securities and Exchange Board of India, which is currently awaited**

Disclaimer

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