



ICRA

ICRA Limited

**October 26, 2023**

**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: Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 – Transcript of earnings conference call**

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed transcript of the earnings call held on October 23, 2023. We have uploaded the transcript on our website and the same can be accessed through the below URL:

[https://www.icra.in/InvestorRelation/ShowAnalystPresentationReport/?Id=58&Title=Investor%20Call%20Transcript&Report=ICRA\\_H1FY24%20Investor%20&%20Analyst%20Conference%20Call%20Transcript.pdf](https://www.icra.in/InvestorRelation/ShowAnalystPresentationReport/?Id=58&Title=Investor%20Call%20Transcript&Report=ICRA_H1FY24%20Investor%20&%20Analyst%20Conference%20Call%20Transcript.pdf)

Kindly take the above on record.

Regards,

Sincerely,

(S. Shakeb Rahman)

Company Secretary & Compliance Officer

Encl.: As above

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**RATING**

**RESEARCH**

**INFORMATION**



“ICRA Limited's Half Yearly FY2024 Investor & Analyst  
Earnings Conference Call”

**October 23, 2023**



**MANAGEMENT: MR. RAMNATH KRISHNAN – MANAGING DIRECTOR & GROUP CHIEF EXECUTIVE OFFICER, ICRA LIMITED**  
**MR. VENKATESH VISWANATHAN – GROUP CHIEF FINANCIAL OFFICER, ICRA LIMITED**  
**MR. L. SHIVAKUMAR – EXECUTIVE VICE PRESIDENT, BUSINESS DEVELOPMENT & CHIEF BUSINESS OFFICER, ICRA LIMITED**  
**MR. K. RAVICHANDRAN – EXECUTIVE VICE PRESIDENT & CHIEF RATING OFFICER, ICRA LIMITED**  
**MR. SHUBHAM JAIN – GROUP CHIEF STRATEGY OFFICER, ICRA LIMITED**  
**MR. JAYANTA CHATTERJEE – MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER, ICRA ANALYTICS**

**Moderator:** Ladies and gentlemen, good day and welcome to the ICRA Limited Half Yearly FY2024 Investor and Analyst Conference Call hosted by ICRA.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '\*' then '0' on your touchtone phone. Please note that this conference call is being recorded.

Joining us today from the management side, we have Mr. Ramnath Krishnan, Managing Director and Group CEO, ICRA Limited; Mr. Venkatesh Viswanathan, Group Chief Financial Officer; Mr. L. Shivakumar, Executive Vice President, Business Development and Chief Business Officer; Mr. K Ravichandran, Executive Vice President and Chief Rating Officer; Mr. Shubham Jain, Group Chief Strategy Officer; and Mr. Jayanta Chatterjee, M.D., and CEO, ICRA Analytics to discuss the performance of the Company during the call followed by a Q&A session.

Before we begin today's conference call, I would like to remind you that some of the statements made in today's conference call may be forward-looking in nature and may involve some risks and uncertainties. Please refer to Slide #20 of investor presentation for detailed disclaimer. ICRA or any of its subsidiaries or the directors, officers or employees of ICRA or of its subsidiaries shall have no liability whatsoever for any loss howsoever arising from any forward-looking statement or use of the investor presentation or its contents or otherwise arising in connection with this conference call.

Now, I would like to hand over the call to Mr. Ramnath Krishnan, Managing Director and Group CEO – ICRA to commence the proceedings. Thank you and over to you.

**Ramnath Krishnan:** Thank you, Zico, and good afternoon, everyone. A very warm welcome to ICRA's First Half FY24 Investor and Analyst Connect.

**Let me provide you with broad highlights of our financial performance in the first half of this financial year:**

The ratings business delivered a strong revenue growth of 11.8% year-on-year. And our subsidiary, ICRA Analytics, delivered a growth of 4.4% year-on-year. Overall, the top line growth was at 8.6% reflecting in a robust PBT growth of 17.6%.

ICRA ratings revenue continue to grow despite headwinds in the bond market and in the bank credit market. ICRA Analytics business continues to be one of the strong pillars for growth and diversification as we continue to invest in critical partnerships and infrastructure to accelerate growth. We continue to stay focused on enhancing our technological footprint to better serve our clients and to drive growth.

I'm excited to inform that we have recently entered into a definitive agreement to acquire a majority stake in D2K Technologies India Private Limited. D2K is an established provider of software solutions to banks and other financial institutions. The proposed acquisition subject to closure of customary conditions is in line with ICRA's growth and diversification strategy and will enable ICRA to accelerate growth in the risk and analytics space.

**Other highlights for the first half include:**

1. The appointment of Mr. Jayanta Chatterjee as the M.D. and CEO, ICRA Analytics Limited. JC, as he is commonly called, will be responsible for shaping business strategies aligned with the group's objectives, product and revenue diversification within ICRA Analytics and business transformation. JC has been a part of senior leadership in ICRA over the last 28 years in a number of different roles.
2. We have recently applied to SEBI for license to commence ESG ratings business. This is consistent with the framework announced by SEBI in the early part of this year. So, at the present time the approval from SEBI is awaited.
3. ICRA is now part of the MSCI India Domestic Small CAP Index.

**Coming to the outlook for the rest of the year:**

Domestic economic activity witnessed a healthy albeit uneven momentum in Q2 of this financial year. While there was an improvement in urban consumer confidence levels with continuing demand for contact in intensive services, the demand for goods was mixed, as were the trends in private sector investment activity. There was an encouraging front loading in CAPEX by the Government of India and the states even as we remain circumspect that momentum could slow as we approach general elections. Further, an uneven monsoon, external headwinds and resurgence of geopolitical tensions pose some risks. ICRA continues to project FY24 GDP growth at 6% with risks evenly balanced.

**Finally, in terms of flow of events:**

We will cover the group financial performance, overview of our ratings, analytics businesses in that order, and then open it up for Q&A.

I also take this opportunity to wish everyone here a Very Happy Dussehra, Diwali and a Prosperous New Year in advance.

I will now hand you over to Mr. Venkatesh Viswanathan – Group CFO, to talk you through the first half's performance in greater detail.

**Venkatesh Viswanathan:** Thank you, Ram. Hello, everyone.

I will be covering the financial section of the presentation starting with Q2 FY2024:

Consolidated revenue from operations for the quarter increased 6.4% to Rs.104.9 crores. ICRA rating revenue grew by 7.8% despite headwinds in the bond market and bank credit market.

The securitization market continued its growth trajectory and saw a strong pickup in volumes in the current quarter. Overall expenses increased over the previous year on account of salary cost and technology investments.

Profit before tax for the quarter was Rs.47.3 crores.

For H1 FY2024, consolidated revenue from operations increased 8.6% to Rs.207.6 crores. ICRA ratings grew 11.8%, whereas Analytics growth was 4.4%. The overall growth for H1 was positive for bond issuances, bank credit and securitization market which reflected in a robust performance for rating business. ICRA Analytics' growth was led by knowledge services. Overall expenses increased over the previous year on account of salary cost and technology investments. Profit before tax increased 17.6% to Rs.97.0 crores. That was the update on the financial section. Thank you.

I now request L. Shivakumar to take over the balance part of the proceedings.

**L. Shivakumar:**

Thank you, Venkat. Good afternoon, everyone. I am Shivakumar and I head the Business Development Functions or Ratings Business. I will talk about the rating business in two parts. The business environment that we that we have seen in H1, FY24 and the outlook for the same for the rest of the current financial year.

**Firstly, the Business Environment:**

In H1 FY24, bond issuances and bank credit showed a good growth. Bonds were up by 43.5% year-on-year and bank credit outstanding at the end of September grew by 6.5% over that in the end of FY24. This growth really came about in Q1, helped by a transient dip in bond yields and a good demand from the industries and services segments for bank credit. Q2 however faced headwinds in both the bond and the bank credit segments. The former due to volatile yields and the latter due to tight liquidity.

RBI had imposed incremental CRR in the August monetary policy as you would all recall, which got reversed subsequently though.

CP outstanding too saw good growth in Q1, but a sluggish Q2. The sluggish credit market of Q2 was far outstripped by the surge of Q1 to support the H1 growth numbers.

Securitization volumes, however, were strong in Q1 as well as in Q2. Need for diversified funding avenues due to tighter liquidity, need for cheaper funds, which was made possible with credit enhanced, cherrypicked pools supported securitization volumes, coupled this with good

investor appetite for pools from NBFCs both large and small in this healthy securitization business.

ICRA's revenue growth for both Q1 FY24 and Q2 FY24 reflect these trends observed in the bank credit and bond market with the swings somewhat moderated for ICRA by its consistent market position in securitization segment.

I will now move to the outlook. We do not give future guidance. Government infrastructure spend, working capital requirements from industry and demand from NBFC will continue to spur growth. These would to some extent get tempered by the prevailing credit market conditions including uncertain yields and tight liquidity. The latter being a result of attempts at inflation management. Overall, for the rest of FY24, we believe that credit offtake would happen on expected lines.

Thank you. That's all from my side. I would now hand you over to K. Ravichandran, our Chief Rating officer.

**K. Ravichandran:**

Thanks, Shiv. Good afternoon to all the participants.

**Over the next few minutes, I'll be covering the performance update on rating operations:**

We finished the half year rating September '23 with further improvement in the rating accuracy metric, namely, Average Default Position or ADP. We ended the half year with an ADP of 95.1% as compared to 93.3% as of FY23 end and long period average of 76%. The higher the ADP, the more accurate are our ratings collectively.

Other rating accuracy metrics, namely cumulative default rate and rating stability also seen significant year-on-year improvement. You can refer to our website under rating performance for granular details. It's our endeavor to maintain such rating accuracy levels in the coming years.

**Moving to other performance trends:**

In H1, the proportion of entities whose ratings were reaffirmed or remain unchanged was at 81%, closer to the long period average of 80%. The credit ratio in ICRA's ratings are two times in H1 reflected the persistence of the momentum in rating upgrades and continuation of the trends seen in the previous two fiscals even as the net upward pressure on the ratings was seen to be on the path to normalization.

In a similar vein, the upgrade rate of ICRA's line ratings moderated to 14% in H1 after peaking at 19% in FY22. This reflects the normalizing upgrade momentum forced to consecutive years of tailwinds in the operating environment that had followed the trough induced by the COVID-related process on credit quality. Likewise, the downgrade rate is seemed to be on the normalization path, and which upwards in H1 vis-à-vis the previous two fiscals.

ICRA continues to expand its research and initiate strategic market outreach and events in Q2. The Company hosted a high-profile market event on electric vehicles and renewable energy in New Delhi where Shri R.K. Singh, Hon'ble Cabinet Minister for Power and Renewable Energy, shared his insights as the keynote speaker.

We also organized a joint conference with Moody's with the theme, India Credit Conference. Both the conferences saw high quality panel discussions resulting in positive feedback from the audience.

The Company initiated 11 webinars on various focus sectors and participated in 20 market events with thought leaders during the quarter. Some of the notable webinars were on banking, NBFCs, pharma and outlook for FY24, which saw overwhelming participation from the investors, lenders and industry participants.

With these remarks, let me hand over the floor to Jayanta Chatterjee, M.D. of ICRA Analytics Limited. Thank you.

**Jayanta Chatterjee:**

Thank you, Ravi. Good evening, everybody, and I shall take the opportunity to share an overview of the business of ICRA Analytics Limited, (IAL) for short, which we refer to as the non-ratings business for the group.

For each of the three businesses IAL, I will cover the current environment in H1 FY24 and also briefly touch upon the outlook. Knowledge services is our largest vertical and in H1 FY24 it continued to drive growth for ICRA Analytics. Although inflationary pressure continued and geopolitical concerns remained unabated during this period, we were able to further expand our value-added services for our anchor client. The outlook for the business remains strong, driven by trend towards digitization and AI-driven automation. We expect that focus will remain on business transformation, data analytics and technology services. Our client's businesses would be driven by refinancing requirements, post high volume issuances in the pandemic ramp, which is expected to also benefit us in turn.

**Moving on to our second business vertical, which is market data:**

The regulatory push for risk management, data transparency and reporting continued to drive volumes in H1 FY24. We expanded our coverage during this period to provide newer services like stress testing and also enter into tie-ups with global data providers such as FactSet, Bloomberg and ICE to service other large markets, including global markets. The outlook remains robust, driven by trend towards cloud-based information tool and related data products and more of value-added services rather than pure data. This is expected to drive consolidation of our services and products.

**Coming to our last business, which is the risk management business:**

It saw growing demand for risk solutions from banks, financial institutions and also the NBFC segment in H1 FY24.

As regards outlook, we expect demand and risk management vertical to be driven by emerging credit decisioning and monitoring norms based on more real-time data, expected credit loss provisioning norms for banks as and when the sale is announced by regulator and increased focus by large banks to integrate various systems and have a common data and analytics factor. This is the update from ICRA Analytics side.

Thank you all very much, and I now hand over the call to the operator.

**Moderator:** We will now begin the question-and-answer session. Our first question is from the line of Rajiv Mehta from YES Securities. Please go ahead.

**Rajiv Mehta:** So, my first question is on the domestic ratings growth. So, we have seen sequentially some moderation in growth. While you've outlined the macro reasons behind the same, but can you give us more color whether there were any reasons specific to ICRA, like any market share movement, any pricing movement, any change in segmental mix, etc.,?

**L. Shivakumar:** I will respond to that. I'm Shiv Kumar here. Yes, you are absolutely right and we did point out the macro movements which had a bearing on our revenue for Q2 both on the bonds as well as on bank credit. Essentially it has indeed been the market environment which had a deep influence on our revenues. If we look at our own position, I would say, by and large our position remains stable. Our strategy, our approach also remains stable, which is we are very mindful of what kind of business to pick up, in the sense the business has to be profitable enough. And as we've been maintaining over the last couple of quarters, our trust is focusing on growth segments, which is infrastructure, and NBFC where we have by and large maintained our share. And these are the segments where we've also been endeavoring to push our yield up, which is in line with the premium position which we enjoy in the debt market segment specifically where we are surely one of the preferred rating agencies. So, I would say by and large, our position is stable and our approach too has been very stable.

**Rajiv Mehta:** I know that you don't guide specifically, but since we have seen some choppiness, I mean, the first quarter the revenue grew by 16% YoY, this quarter the revenues have grown by 8%. Do you see more hangover because of tighter liquidity conditions, I mean I think you just spelled it out, but how should we pivot our growth expectations in the future?

**L. Shivakumar:** See, I would say you look at FY24 as a whole. As I mentioned in my remarks that we are on track and our expectation of credit pickup which is the same as we mentioned in the earlier investor call. To some extent, you are right, Q1 saw a little bit of front loading, particularly because there was a transient dip in bond yields, so most borrowers would have made good use



of that which possibly the one way of looking at that is that got reflected in some bit of a dip in Q2. I would say look at FY24 overall. We still maintain that the credit offtake should happen on expected lines.

**Venkatesh Viswanathan:** And Rajiv, just to add, probably maybe to look on a standalone Q2 basis maybe not a fair representation. H1 would be a better representation than Q2.

**Rajiv Mehta:** The second question is on ICRA Analytics and specifically knowledge services. Now, this is the second consecutive quarter where we have where we have seen moderated growth. And when I say moderated, in the context of the way we grew in the past two years, the current growth rates are much lower. If you can spell out what has changed in the environment? I think macro you've given out that spending has slowed down. But specific factors to us because we've sourced a bulk of this revenues from our parent Moody's so if you can highlight few specific reasons for this lower growth coming and when can we expect this to revive?

**Jayanta Chatterjee:** So, you're right, there has been a moderation in the growth rate that you have seen. And as we have mentioned in our call also, the reason primarily is the global slowdown that we are seeing and that is having an impact in terms of the way the business is flowing. We are working on two levers. One is the increased value-added segment and that is something that we keep sourcing as and when we interact with our clients. And whenever we get that opportunity, we do proof-of-concept and those are the ones which will move it further into the value-added domain going forward. We do expect that the overall global slowdown will continue for some time given the uncertainty. But this strategy is something we expect should play out as we move along.

**Rajiv Mehta:** Just lastly a broader question on margin. Now that we are now set on the revenue growth run rate that we are looking forward. What are the margin levers available for us to pull up margins from where we are over the next four, five quarters?

**Ramnath Krishnan:** Sorry, is this a question for ICRA?

**Rajiv Mehta:** I would say it's an aggregate question. So, if you can just highlight margin levers both on the rating side as well as the admin expense?

**Venkatesh Viswanathan:** From a lever perspective, I think if you look at the analytics side, it is largely the headcount and utilization. There will be some level playing that we will have on the headcount if we are not able to get an uptick on the business. As far as the rating side is concerned it's largely linked to revenue. With the kind of investments that we are looking in technology, I think that will eventually get us an operational efficiency and process efficiency.

**Ramnath Krishnan:** If you look at the margins, you have to look at obviously at a business level. If you look at ratings, despite our continued investments in technology and in people, we've maintained our margins in the ratings business and for the reasons explained by JC the non-ratings business housed in our subsidiary ICRA Analytics. there has seen some dip. But as things stabilize, as we

go forward, we expect that to improve as well and then we expect overall margins to also start improving as the benefits from our technology investments start delivering as well.

**Moderator:**

Our next question is from the line of Balaji from IIFL. Please go ahead.

**Balaji:**

I have two questions. So, first is on this recent JP Morgan announcement of inclusion of Indian bonds in the emerging market index. Could you talk a bit about how this would be positive for Indian markets in general and how this would help deepen the Indian bond market? My second question is on the knowledge services segment again. So, if I look at it, most of it is related to your parent Moody's and your annual revenue run rate is somewhere around 150 crores or a little below \$20 million. Now, while we have talked about inflationary pressures impacting this in the short term, shouldn't this be largely immune to macro slowdown considering that this \$200 million is miniscule compared to the segmental revenues of both Moody's Analytics and Moody's Investor Services, both of which I understand are north of two and a half billion dollars of annual revenue? A related follow up is that even if one were to assume that you are susceptible to slow down at Moody's, Moody's own numbers as I look at their financials appear to have bottomed out in late 2022 and early 2023. And they have been largely recovering since. Of course, we have only one extra quarter of data, but at least that seems to suggest a recovery. So how should one reconcile this and the slowdown that we have seen in the knowledge services segment?

**Jayanta Chatterjee:**

I will start with the second one. So, you are right that on a broad level, definitely the macro should have limited impact as you say. But nevertheless, one must keep in mind that ICRA Analytics is not the only service provider to this client. There is also insourcing which is done. So, they have a center which does the similar kind of work in India and there are also centers across the globe to which this work is outsourced. So as a result, it's a competitive business where IAL has to compete with other providers of this business. And while we have been able to maintain our position in this market, definitely, stability of our processes and the way in which we have scaled up the business is testimony to the fact that we have been able to derive a lot of efficiency, which is also driving business this side. But I would also emphasize that it's not like every business from Moody's would come to us. So, there is a competition there as well. So that is something that would explain the way in which the trends that you are seeing. Coming to your other question regarding inclusion of India in the JP Morgan emerging bond market index, I think starting from June, this is to the extent of 10%. This inclusion is expected to drive more and more investment into government securities bonds. We are already seeing that some discussion has started around this factor, and we expect that as we move into the next year that is FY25 there should be increasing interest in government securities and government bonds, investment in Government of India securities, which should definitely help our own bond markets grow from the way they are at the current moment. So, this is a positive. The overall 10% may not be reached immediately, but it will scale up over a period of time. So, we expect that gradually as we move into the third and 4th Quarter of FY25, this trend should be more prominent.

**L Shivakumar:** Just to add to that, we've always been saying that the GSec or the government borrowings tend to crowd out the corporate bond market in India. So, this is one factor which will give some headroom for development of bond market and over a period of time this should definitely be helpful to development of bond market in India.

**Balaji:** So, just basically on the first response on the analytics, so if I understood it right, since the macro conditions are a little unfavorable, it would be fair to say that Moody's has also insourced little bit of work, right, is there. Did I hear you right in addition to the other competitive factors that you just outlined?

**Venkatesh Viswanathan:** That's correct, Balaji.

**Ramnath Krishnan:** See, to some extent, Balaji, what actually gets diverted to us is the service provider is a function of the business flows that Moody's themselves. see globally. If those business flows actually slow down, then what gets actually diverted to us or outsourced to us also will reduce. So, it's a function of the throughput that they see and what gets actually diverted towards us. So, it's a leverage play on their revenue or their business clause as well. So, if they are facing headwinds in terms of business flows, then naturally the level of business that actually get diverted to us will get impacted as well to some extent, but I mean obviously it's something that we hope and expect to sort of get back to near normalcy sooner than later.

**Moderator:** Our next question is from the line of Varun Bang from Bryanston Investments. Please go ahead.

**Varun Bang:** Just a couple of questions. Firstly, on the rating business. Is it possible to get some insights on how the pricing works when any client comes to enhance its bank loan facility? Hypothetically, let's say if there is 50% enhancement in the value of rated debt, how much would that translate into incremental revenue fees for us? I'm sure there will be multiple angles to look at it, but how should one look at it, can you please help me understand this as well?

**L Shivakumar:** See, at a very broad level, the pricing is a function of the volume of debt being rated. This holds true for bank credit, that is the bank loan ratings as well as for the bond ratings, including commercial paper, etc., So that broad principle holds. So, whenever an existing entity comes to us with an enhanced requirement, there is an initial rating fee and an annual surveillance fee applicable on the enhanced fees as well. So, that's the broad principle which holds true.

**Varun Bang:** Is it possible to get revenue split in the rating business again between large corporate and MSME?

**Venkatesh Viswanathan:** To maintain parity of information, we don't disclose that specifically, so we can't give that information.

**Varun Bang:** But let's say it's large corporate has almost 74% share in the total industrial credit, is that ballpark same holds true for us on the BLR side?

- L. Shivakumar:** No, it's difficult to say. Let's see. You are looking at RBI segmental credit to arrive at this number. See, as far as we are concerned, our overall revenue mix comprises debt market ratings as well as bank loans. Now, smaller entities mostly would be rated for bank loan, the larger entities would be rated for both, debt market as well as bank loan. So, we've not looked at it the way you've addressed it or rather you have had a look at that particular number. So difficult to comment on that ratio as such.
- Ramnath Krishnan:** But I can respond to your question slightly differently at an industry level. At an industry level, if you look at the composition of volume of debt rated, typically, your market instruments would account for a fairly significant portion. When I say a significant portion, I'll say upwards of 60%. So, 65:35 would broadly be the mix between your market instruments and your bank borrowings. So, the bank borrowings will be a smaller ticket relatively speaking and the market instruments will be a larger ticket.
- Varun Bang:** Second one is on the ESG rating provider. I mean ESG providers are now regulated under the provisions of CRA regulations and most of the rating companies including us have incorporated a separate subsidiary. What in your opinion is the regulator's thought process here and what is our sense of the opportunity and how do you think this should evolve?
- Ramnath Krishnan:** Sorry, I didn't get your question. Can you repeat it please?
- Varun Bang:** Yes, so this is on the ESG rating provider. A question was what is the regulator thought process here and what is your sense...how could it evolve? And I think the framework is quite comprehensive. Would that mean the industry would have decent opportunity in this space?
- Ramnath Krishnan:** Yes. See, I think it's still early days yet. I mean at the moment in fact, I mean like what has been prescribed by the regulator just the framework within which every ESG rating provider has to operate. But I think the way to look at it is not to look at this in isolation, you will have to look at ESG as a whole... as an area which can be addressed not necessarily through the ERP Company, but through our risk analytics franchise as well. So, we will be looking at it holistically. So, it remains to be seen as to how it plays out. But generally speaking, given the attention that is receiving from the regulators, from the international investor community, etc., so we expect this to actually evolve quite considerably overtime, but I think it will be a journey.
- Varun Bang:** If we see initial years of Moody's post separating from Dun & Bradstreet for many years, they heavily bought back shares from the market and eventually forfeited a large chunk of share capital raise and over a period of time had no significant impact on earning per share. I would like to hear your thoughts on the same. Are we open to look at such options? I mean, Moody's current holding in our Company can give us liberty to look at such options. Can you please share your thoughts?
- Venkatesh Viswanathan:** See, the issue is we cannot comment on this because it's a UPSI information.

- Moderator:** Our next question is from the line of Nitesh Reggae from Chris Capital. Please go ahead.
- Nitesh Reggae:** Just following on the question from the earlier participant, what would be the current market size of the ESG rating market?
- Ramnath Krishnan:** See, at the moment, it has to essentially be a function of how the regulatory expectations are and how the regulator expects these to be managed. At the moment it's not mandatory, right? So, it is not essential for any entity to get themselves rated from an ESG perspective. So, there is obviously a voluntary solicitation that takes place, but that is purely voluntary. So, therefore, to determine the market size from the point of view of how much of this can be monetized, I think it is still difficult to determine in a country like India. You can probably hazard a guess to determine what the addressable market might be in terms of how many corporates and based on the size of their debt might have ESG implications. But how much of that is likely to be monetized or could be monetized is difficult to tell because at the moment it's not actually mandatory. So that's why I said, I mean, this is an area I think that will evolve over time. So, it is an interesting area, it's very topical, receiving a lot of attention, I think there are baby steps that are being taken, but how it will evolve as a business proposition, I think only time will tell.
- Nitesh Reggae:** Could you highlight who are the other players in this segment?
- Ramnath Krishnan:** See, at the moment you have obviously a few international entities like MSCI and you have Sustainalytics. And locally, at the moment obviously there are voluntary gradings provided by a few Indian entities, but internationally essentially, it's just a handful of them. And this is outside of the ratings community internationally, obviously our parent, Moody's is involved in it and so are the some of the other international credit rating agencies.
- Nitesh Reggae:** So, we have a substantial amount of cash on our balance sheet. Could you highlight any capital allocation plan?
- Venkatesh Viswanathan:** We constantly evaluate our capital allocation and you would have seen in the past we have increased the dividend payout, we have also had a recent announcement about the acquisition of D2K and we assure you that we will continue to relook at this on a periodic basis and ensure that we maximize value to all stakeholders.
- Nitesh Reggae:** Could you also highlight the synergies you're looking at from this D2K acquisition and any thoughts on it?
- Shubham Jain:** Thanks for your question. So, this D2K acquisition is in line with our growth and diversification strategy. So overall ICRA revenue you know is well diversified currently between ratings and research and analytics. Now, this acquisition of D2K further helps us to accelerate growth and risk and analytics space. So, what we see is ICRA's brand, sectoral expertise, existing client engagement, very strong in-depth infringement in BFSI coupled with D2K's domain and technology will create significant value to clients in the risk and analytics space.

- Nitesh Reggae:** How large is this segment and who are the other major players?
- Shubham Jain:** This segment if you see is very large and there are a lot of like fintech companies also who are growing very, very rapidly in this risk and reporting and compliance domain serving the BFSI. So, there is no like sizing asset, there are no reports, but market remains very large. We have similar products like EWS which is the flagship product of D2K with the brand of CRisMac. So, we have competing products from the Arbitree or a Crediwatch, Probe42, etc.,
- Ramnath Krishnan:** To answer your question a little differently, the addressable market is essentially the entire lending community. So that's your entire BFSI space and this is again constantly expanding and naturally this is an area that's constantly and rapidly evolving. There are a number of new regulatory requirements that actually keep coming into play. So therefore, these analytics tools will also have to be up to speed in keeping with the market developments. So, I think as an opportunity, I think it's enormous and I don't think I mean that's going to be a limiting factor at all.
- Moderator:** Our next question is from the line of Ravi Purohit from Securities Investment Management Private Limited. Please go ahead.
- Ravi Purohit:** So, basically two questions. One is I think we mentioned margins and we were able to kind of maintain margins, but that's like more on a YoY or a QoQ basis. But if we look at the overall rating margins profile compared to with last 10 years average versus last two years, we are probably at the lowest margin profile that we've ever been in our history, right, 10, 15 years of history. So, we are at the bottom of that margin. So, if any color that you could kind of share on where do margins go from here, is it the new norm, is it the new level that one should expect or there are enough levers for us to kind of up the operating leverage growth or whatever that we are working with and that we could expect some normalization of margins to happen in the ratings business? And second is this reorganization of costs between ratings and analytics that we have done, which I think we've mentioned for the last two quarters, and also, we've emphasized on this tech spends that we are doing right now. So, if you could just elaborate a little bit more as to in what nature are these tech spends, what is this all reorganization, is this something that is long been needed at the firm level and we are doing now or is it some kind of a reorganization that we are doing, if you could just spend a little time and share some insights as to what and what are the things that we are doing, it will be helpful for us?
- Venkatesh Viswanathan:** On the first question, which was on the rating margins. On the rating margins as an organization, I think there is some way for us to go and we are cognizant of the fact that the margins has to improve. I do understand that the peak margins which you're quoting, they may not essentially what we are looking, but having said that, we are aware of the fact that couple of years back we were at 35% margin and most of the rating business has a higher level of margin. Though, we don't give any forward-looking guidance, but our endeavor is to keep on working on operational efficiencies. There are two levers essentially in the rating business. One is obviously the pricing and what you call increasing up the revenue and the second is mostly on the cost side which is

operational efficiencies. I think these two are a focus area for us as management and we are working towards that, and our aim is to improve the margins year-on-year basis.

**Ravi Purohit:**

So, the reason actually I asked that, when I look at, let's say, CRISIL from last 10-15 years point of view, right, it's not like CRISIL has faced some immense margins drop in the last two years or three years, right? So, their margins are actually pretty much right at the long-term average side. So, it looks like it is a Company specific issue. So is it something that we need to solve for, because pricing should then impact everybody else, right, not just us alone in that sense.

**Venkatesh Viswanathan**

No, I think when I said pricing, in the sense, pricing was one aspect of it. I also did mention about the operational efficiencies, which is on the cost side we are working as a strategy. That's where the tech spend will also come into play. So, it's not a single strategy purely linked to price. We also need to, if you ask me go for more client acquisition. It is pricing, client acquisition as well as working towards operational efficiency. This forms a part of our strategy as well where we actually look into all of these. We are working in many of these areas and are hopeful that we will be in a position to move needle there.

**Venkatesh Viswanathan:**

The second question was in terms of the allocations between the ratings and the analytics side. From the current year we are using, and this also addresses in one way or the other when we were talking about the first question, group resources to take on more responsibility, which means with the same set of resources we will be serving, let's say, analytics or any other entities. We have put a framework wherein some of the costs which were being earlier essentially sitting in one particular entity, with the better utilization of resources, we are also passing on this cost to the other entity. So, at a group level, I do agree that at the initial stage, you will not see any impact, but eventually this will lead to consolidation, and we will see some kind of an efficiency flowing in a couple of years.

**Ramnath Krishnan:**

Just to elaborate further on the corporate functions particularly, like your finance, compliance and legal, secretarial etc., so we had duplication of infrastructure if you like, we had infrastructure at the parent level and then we had similar infrastructure established in some of our subsidiaries as well. So, what we did at the start of this financial year was to agree a shared services framework where all the corporate functions were essentially managed centrally and to avoid such duplication and with a view to deriving better operating efficiencies and naturally this shared services framework that we got into also would result in a cross charge being applied based on how the resources are allocated. So, it results in better operating efficiencies and segmental profitability what is actually getting reflected or what will get captured going forward will be a truer reflection of the actual profitability.

**Venkatesh Viswanathan:**

The third was some color on the tech spends. I will bucket this into three or four category so that you get a clarity on how we are looking at this. One is there is some amount of a catch up that we actually need to do an investment. So, that is a component which is out of the overall scheme of things, it is small, but there is an amount involved which would largely reflect the info controls and those kinds of stuff. The second piece of technology investment looks at investing more in

products or client related assignments or delivery where we can enhance delivery of our products or solutions to the client. The third bucket is largely trying to get operational efficiencies. This involves a relook at the process and automate the current process that we have and see if we can generate any efficiencies there. And the fourth part of this investment is a bit futuristic where we are actually relooking at the model and see if we can adopt some of the latest technology, something like AI at a faster pace. So, to address the tech spend, it's three or four areas that we are looking now and there are spends happening across these areas as we speak.

**Ravi Purohit:**

So, would we spend more like we spend, so if I have to share an analogy, it's like you're running on a treadmill for you to be at the same place you keep running, right, so are these spends in the nature of that for us to be relevant, we need to kind of keep spending these every year or do we actually see some monetization benefits out of these either in the form of higher business or higher margins?

**Venkatesh Viswanathan:**

One of our core strategies is to use this and obviously enhance the margins. So, when we spoke about ratings earlier, technology investment should play a significant role in helping us meet that journey or the margin aspiration that we have. There is a fair amount of that recurring treadmill running but there are some things which is definitely is going to be margin accretive. There is an amount of time that it will take and so that is something which we want to call out.

**Ravi Purohit:**

The second part of my question is basically on the outsourcing business, the ICRA Analytics part. How does one kind of look at evolution of this thing, right? So, there was a phase where we kind of grew fairly nicely many years back, then, there was again a phase of lull, where for 2-3 years we did not grow and then again post COVID there has been a very strong three-year period when we virtually doubled our business in the outsourcing piece over the 3.5-year period, right, and now again we've hit like two quarters where the growth has kind of come off dramatically. So is it like project-to-project or do you have to kind of keep looking for newer projects within the Moody's universe, because I mean the scale is like really small even now, right, it's like aggregate basis, it is not even 200 crores per annum, right. So, there is a large opportunity. So how does management look at growing this business or evolving this business over a period of time? And how should we as investors kind of assess and say that look, things sometimes you may have a few quarters or a year or two where it may consolidate and then you can have another leg of growth coming in from different divisions or segments, if you can just give some color on the path growth to this business?

**Ravi Purohit:**

It's like a random thing, right? Every quarter we see the numbers and that's about it, right. There. Is absolutely no connection that we can make as outside investors, right?

**Venkatesh Viswanathan:**

I think there are three or four questions built into that. I will try to answer a few and I will also then pass on this to JC. One is I think most of our business including the rating I think to look at on a quarter basis may not be correct I think we should look at it from a full year basis because we get a full flair of the numbers. The last three years this business has given a very strong growth because we did get opportunities to work on the ESG segment. To answer your first



question, this business depends upon two-part , One is you have a very steady stream of revenues which is we call it as an FTE, the Full Time Equivalent. So that gives you stability for the business. And the second part of this is the project. So, it has got a combination. 80% to 85% of the revenue from this will largely be on an FTE model. The second part of it, which is on a project basis, it depends upon how the projects you get from the host Company or the parent Company. This again is dependent upon the policy of the Company, how they want to look at outsourcing and the second is obviously the global economic factors that they are in. In the last three years we had a good run. In the current year as outlined earlier, there was some challenge in the global economy itself and we did see an impact of this in the projects that we have. I think most of the time the question comes here is how to size or create or see how this business grows in future which i think JC did cover this. We have to compete with other service providers to get business. So, there is no free lunch from Moody's and also from their governance perspective it is more than fair for them to ask us to price ourselves well and be competitive. We compete like any other service providers with them and win business. We have a track record and in the last four or five years we have delivered well and we have a continuing relationship with them and we are confident that this will help us grow. Coming back to the next question, the forward-looking is a bit tricky that we don't get into that space, but I think I've answered most of the questions. JC, you may want to add any points here.

**Jayanta Chatterjee:**

Venkat, I'll just add a few points to what you mentioned. While the growth that you are seeing in the last three years has been robust. what has driven this growth and the capabilities that we have imbibed, which are helping us to grow is basically very strong process capabilities in data extraction, data analysis and very specific verticals of Moody's which has helped us to grow the business. Now, as we mentioned earlier, certain business in ESG which came to us has grown quite a lot and that's something which has supported us in the last two years, I would say. Going forward, our endeavor always is to look at these kinds of segments where value- added component is high. As you know the way financial markets are evolving, these businesses will keep coming in the fold of our client and the way in which we can capitalize on it is our proven expertise in process excellence, which is very well recognized within the system. So, I would say that, yes, I mean a project can have a certain volatility around the baseline of FTE. But these projects we expect we should be able to capitalize more, more and more as we go forward. So, to answer your question, you would see a certain volatility, but there would be areas where we can capitalize on our excellence, and we are very sure. Not only that, but we are also looking at non-Moody's options and we are exploring the market to see both on domestic as well as on global front as to where we can go with our capabilities in process excellence and data analytics which can service the financial markets in US very well. And it's a question of finding and growing those clients as we move along.

**Ravi Purohit:**

This is basically regarding this acquisition that we've made of D2K Technology, right. This is probably one of the few acquisitions we've made in a long time in the listed Company, right. So, if you could just spell out or share our strategy behind what kind of areas are we looking and are we looking to acquire skills or are we looking to acquire clients when we do M&A, right? So,

something like a D2K, will it add skills to our capabilities or is it going to add clients because when so happens that you have a lot of cash and you get opportunities. Even if the opportunity is not as attractive or as let's say profitable as our current existing business, we may still end up doing it. Does it really make sense to do it? We only know after like three years or four years or five years of having acquired the Company. So, if you could just share what goes into our minds with regards to this acquisition?

**Ramnath Krishnan:**

First and foremost, the first box that needs to be ticked is to see whether the business that we are acquiring or we're looking to acquire provides synergistic fit to what we do as a business and what we want to do as a business. So essentially to answer that differently, it has to be related to risk analytics and which is core to our franchise. So that's point #1. Point #2, we naturally would like to invest only into those businesses that are either profitable already or where we have a clear visibility into when the operation might become profitable. So, we're not looking to invest for the sake of investing. So, it has to bring value to our franchise, it has to be synergistic to what we do at the present time or for that matter, areas that we want to get into. So, it has to be essentially at the present time, we're only looking at risk analytics as an area where we would like to expand. Naturally, when we actually make such acquisitions, first and foremost, it needs to be an established operation, it needs to have pretty good acceptability in the market and naturally the expectation is that we will take over the customers that they have as well. And what we additionally look for is the value that they can bring from a tech stack perspective, which we can use across the board in our various group entities. In this particular instance, we believe that all these boxes have been ticked and which is the reason why we have signed this definitive agreement. But whenever we look at such opportunities in the future, all these parameters will be evaluated in detail and only if these boxes get ticked... and of course I'm not for a minute discounting the cultural fit, that's obviously very, very important. That's something that we look at as well. But these are the parameters that we will typically look at whenever we look at opportunities in the inorganic space.

**Moderator:**

Our next question is from the line of Kunal Thanvi from Banyan Tree Advisors Private Limited. Please go ahead.

**Kunal Thanvi:**

I had two questions. First was on the employee cost. When we look at our employee cost, it has grown at a faster rate than our revenues and it has been growing for a while. Can you throw some light on what's happening there, is it like we are restructuring our teams, or we are seeing upfronting in terms of employee addition or it is normal wage hike, how do one look at the employee cost growth rate for both analytics business and the ratings business? Second, in terms of the investment phase, when we look at our OPEX both on the technology side and employee side overall, we've seen there's been quite a few moneys going behind both of these aspects. And you touched upon the technology side. But if we were to think on the phase of the investment, where would we be ICRA as a Company is in the phase like, are we in the middle of the phase or we are towards the back end of the phase in terms of this OPEX investment so that that can help us understand incrementally how much growth we will see in cost compared to the revenue growth?

**Venkatesh Viswanathan:** There were two questions. One is on the employee cost. How do we look at it? We are pretty much done in terms of correction. If you take an H1 cost, I think it will give you a fair representation of how our cost will be at least for a full year. I'm not saying that from a forward-looking perspective, but it will give you a fair representation. The second part is from a tech perspective, I think we have done a fair amount of leg work. I did mention that there are four or five buckets and each of them are in a different phase. I would say we have reasonably spent and from a journey perspective but it's very difficult to put whether I am in the mid because there are five different initiatives that we are looking at. But if you really want to get a sense, I will say around 25% or 30% is where the journey has been. I'm not saying the cost because that is an outcome of multiple factors, but from an overall journey perspective. There is still a journey and there will be some more investments, but we are sure that these investments will help us build some of those process efficiencies and help us to get those margins where we want to be.

**Kunal Thanvi:** On the knowledge services business, like when I look at the number of employees or the headcount that get added for the last six to eight months, we're not seeing addition in the headcount for the ICRA Analytics as a whole, while our understanding was that that would be a lead indicator for the growth in the entire ICRA Analytics. Secondly, since we are kind of trying to scale the non-Moody's business in India and globally also like what's the disconnect there like ideally should we see like headcount increase in the ICRA Analytics because we're trying to grow both the Moody's analytics business and non-Moody's business in India?

**Venkatesh Viswanathan:** I think we have not added much incremental headcount during the year and that's a correct assessment. As I mentioned in my earlier conversation, there are two parts to this business. One is the steady state of headcount which gives you what you can call it as a fixed run rate, and the second part is the project. Every year what typically happens is your 80% to 85% of your revenue comes from full time equivalent or an FTE and there's a leverage that we have wherein on 15% ,depending upon client budget, how their economy works, you will be able to leverage and get more out of it. In H1, we did see some challenges in the global economy due to which we have seen a muted growth in the knowledge services. We do believe that Moody's did have a good last quarter and that gives us some hope for opportunities. It's not the same that if the headcount addition doesn't happen, we have challenges and you still have an ability depending on how we are able to tap opportunities to leverage and grow.

**Ramnath Krishnan:** And also, in the knowledge services business, particularly even as you rightly said, the headcount or the addition to headcount is the lead indicator. You must also understand that there is a lag between the headcount build out and the actual business delivery because the way these contracts typically evolve is, first, we get an indication as to how many people will be required. We go through proof-of-concept which could be a four months affair, or it could be six months or eight months. Once that is actually done and depending on the results and the efficiency of our delivery, the actual contract gets awarded. So, the monetization of that could take place either four months or six months or eight months after initiation of the headcount build out. So, there will be a lag. So, it is a lead indicator, yes, but the lag could actually be some months.

**Kunal Thanvi:** So, does it mean that for the project that we would be expecting say in the H2 we have already built out the head count last year itself because the lag would be say 6 to 8 months in some project, is that the right understanding?

**Ramnath Krishnan:** It's entirely a function of when the proof-of-concept actually exercise starts. So, it could happen at the start of the year, it could happen in the middle of the year, it could happen towards the end of the year. So, it's entirely a function of when the need actually gets expressed to us by the other party. It could be Moody's... at the moment is Moody's, but it could be anybody else as well.

**Kunal Thanvi:** Last question again is on the non-Moody's part of non-rating business. In one of the interviews earlier we had said that in next five years we expect that business to grow at a much faster rate. So, can you throw some light on that part of the business both in terms of the revenue trajectory and also in terms of profitability, because if we look at the last three, four quarters the profit drag from ex of knowledge services in non-rating has been increasing. So, if you can talk about the growth trajectory part and the profitability part in non-rating business ex of Moody's or knowledge services?

**Jayanta Chatterjee:** So, ex of Moody's as you mentioned, there are two businesses, one is market data and one is banking and risk management. So, in market data, we are providing valuation to AMCs in India and this is going on a daily basis and that's something which is used by the fixed income business for valuing their portfolio. The other services that we have started in market data is in terms of rating trackers and trading solutions, which are seeing traction as we move along and not only in the mutual fund segment, but also in the corporate and the AIF we are seeing good traction coming from these products. So, while you did mention that there is some kind of a slower growth that you are witnessing and some margin pressure there that you are witnessing there, I would like to mention that the segments that we are addressing now and the areas of growth that we have selected, we should see much better performance in this market data as we move along. We have also mentioned that we have tied up with certain global data providers like Bloomberg, FactSet and ICE and that should also see increasing revenue as we move forward into the coming quarters. The other thing is on banking and risk management. I would agree with you that traction has been a bit slow, but we do expect that with impending regulation coming from banking segment on ECL provisioning, there is a big opportunity which is lying there. In addition, NBFCs already have moved into ECL norms and we are seeing good traction in that business as well. So, even in the banking and risk management part, we expect that traction should be much better as we move forward.

**Ramnath Krishnan:** And this is an area again where we believe that the current acquisition that we've announced, D2K, that will add significant value.

**Kunal Thanvi:** This D2K they were Rs.15 crores of revenue last year what would be the ballpark profits that they did or it was not making profits?

**Ramnath Krishnan:** It has been profitable since the time it was set up.

- Kunal Thanvi:** Will you be able to share some quantum of progress that they've made in FY23?
- Venkatesh Viswanathan :** At this point in time this has not been disclosed to the exchange, so we are a bit cautious, but having said that, we can just say that it has been profitable till last year.
- Moderator:** Our next question is from the line of Paresh Sangani from Club Millionaire. Please go ahead.
- Paresh Sangani:** First question is on the rating margin. It is surprising with the sequential drop simply because this quarter we would have had the highest securitization volumes ever. So obviously there's been a high margin product, ideally a margin should have been held up or gone up. So just thoughts on that, Venkat.
- V Viswanathan:** Just one thing typically if you look at rating margins as such, the rating revenue growth has been a bit lower in Q2 outlined by Shiv earlier. We did see that there was a degrowth in both the bond market and bank credit. So, we did see a lower percentage revenue growth, which in a way had some impact on the margins. But I think the better way to look would be at an H1 level where we have seen at least a slight uptick in the margin and we do hope that in the next six months, if the credit growth holds up I think the numbers should get reflected somewhere. But the Q2 was a bit dampener, especially at the market level.
- Paresh Sangani:** Within the rating space itself in terms of revenues, a couple of factors. We see huge interest rates hitting all-time highs with the 5% yield over there and the rupee depreciation happening, would you expect a lot of refinancing to happen from Indian corporates from being booked on the resources. So therefore, would you have a faster banking credit growth asset? And the second aspect within that was we had seen about 20,000-odd companies across the credit rating space who had stopped rating completely about four or five years back or maybe even six years back, right. With the credit scenario being very benign. Are you seeing any signs of them coming back to the credit market, I mean in terms of credit ratings?
- L Shivakumar:** We agree with you on this point. Domestic borrowings would be more economical very clearly. That's a trend we've seen for more than a year now ever since the Russia-Ukraine conflict broke out. That trend continues. On your second point, yes, you are right that lot of corporates had deleveraged significantly right through the pandemic phase. We do expect them to come back and borrow, but at the same time, these corporates are a lot more cautious today in terms of the investments they do, the timing of investments, all this is a function of what kind of demand they see. But we are indeed seeing a pickup or the early signs of a pickup in the private sector CAPEX. Some sectors are already seeing it, for example in steel, and there are entities which have enhanced the borrowing limits. On both the points you are right, it will play out over the next couple of quarters.
- Paresh Sangani:** Within the analytics space, right, I saw in the presentation you mentioned that there has been a collaboration or you're looking for a collaboration with leading global data providers for value added services, right, within the knowledge services space, which is apart from Moody's. So,

were you referring to Bloomberg, FactSet and something like this? And can you talk a bit more about this in detail?

**Jayanta Chatterjee:** So essentially in the case of FactSet, we are providing them with validation data, which will be firing their attribution tools, FactSet as a lot of attribution tools which are used by their customers. So, in order to use those tools, they need valuation data. So, we are providing that data to them and this will be used by FactSet clients tools at their end. So, this is something that the utilization of this will pick up as we go along. The trend might be a bit slow initially, but as and when the familiarity grows, we expect this to pick up quite well in the coming quarters. So that is on FactSet. On Bloomberg, similarly, our valuation data for fixed income securities is now being made available through the Bloomberg terminals for all their users. And that's also something which we expect will add to our revenues as we move along because Bloomberg has a good market share in this space and moving forward that should be something which will add a lot of traction to our own market data, services, and products that we. As far as ICE is concerned, we used to provide ICE with security level valuation for corporate bonds. We are now moving into state development loans as well and that's something that should get formalized and usage of that we expect to pick up quite well going forward. So, these are the three tie-ups that we have done. And while we were very strong in the AMC space domestically, we expect that these tie-ups should take us into the global markets as well through these data and service providers.

**Paresh Sangani:** So just to clarify, this tie-up that we have with them, is it both for domestic as well as your international business, how is it normally?

**Jayanta Chatterjee:** Yes, all the terminal users, both global and domestic.

**Paresh Sangani:** Final question is regarding the D2K acquisition, right. From what I saw within the presentation and the disclosure, it looks like it was a product offering which similar to what we already do within our RMS site. So how is it very different? I mean, I'm sure we would have had a product something on these counts already. So how is it really different? In that sense.

**Ramnath Krishnan:** No, it's only complementary to what we do at the moment. So even if you look at the two main products that are there in D2K, one is the early morning alerts that they provide to the lending institutions aggregating number of multiple data points. We don't have that in our product suite at the moment though we've been thinking of actually developing it, now we don't need to. The other one is they have the income recognition and asset classification identifiers. Again, that they provide to lending institutions, primarily banks and NBFCs. Again, something that we do not have. So, they are complementary to what we have, and they will not cannibalize any of our existing revenue streams.

**Paresh Sangani:** Just one final clarification. These will be on what on SaaS basis that will be provided to the customers?

- Ramnath Krishnan:** Sorry, come again.
- Paresh Sangani:** The pricing will be on SaaS basis or something similar to our customers.
- Ramnath Krishnan:** Software-as-a-service as well as on-premises, both of them will be there.
- Moderator:** Our next question is from the line of Mahesh Purohit from H J Securities. Please go ahead.
- Mahesh Purohit:** My first question is regarding the analytics business. We did an acquisition this quarter. So, is it proper to understand that in the analytics business, especially the non-Moody's side, will we be doing more acquisitions in the coming years?
- Venkatesh Viswanathan:** Sorry, we can't answer that.
- Mahesh Purohit:** But will that be one of the strategies for growth in the future?
- Ramnath Krishnan:** I think it's fair to say that, I mean, we will constantly be on the lookout for opportunities. And as I said, like if it ticks all the boxes, both organic and inorganic that I had actually talked about earlier, then naturally it will receive serious consideration.
- Mahesh Purohit:** My second question is about the ratings business. So, we are seeing decent growth in the Indian GDP and also the government CAPEX on infrastructure and also, we're expecting private CAPEX to pick up. So, considering all that and also the expansion of the bond market, so could we expect better growth rate in the ratings business over the next five years?
- Ramnath Krishnan:** Ratings business is a leverage play on how the market activity pans out, right. So, it's a function of how this pans out and it's entirely a function of that. I think at the at the present time as we've seen in the first half of this year, the ratings business has seen revenue growth of just a little north of 11%. But it's always going to be a function of how the market activity, how the credit offtake, how that actually builds out. So, the spends will have to kick in. In the first half of this year, it has been largely state-led and the private sector spends have been still fairly muted. And once that also kicks in. I mean, I think it should play out quite well, Shiv. anything else that you want to add?
- L. Shivakumar:** I agree with you. We've seen this play out in the last couple of quarters very clearly. We do expect these two segments, particularly infrastructure and led by infrastructure, domestic consumption and hence the BFSI space to grow quite significantly in the coming quarters. But that's again as laid out by the government in the union budget for this year and going ahead it is logical to assume that these segments will pick up well. So as Ram mentioned, we do look at these segments and growing well and ICRA leveraging on these opportunities.
- Moderator:** Ladies and gentlemen, the last question for today's question and answer session is from the line of Pritesh Chheda from Lucky Investment Managers. Please go ahead.

- Pritesh Chheda:** I just have one question on the India rating business, and I don't know if it was asked earlier. So, for the quarter gone by have you lost any market share or was there any pricing pressure in the market, if you could comment on this?
- L Shivakumar:** Yes, this question was indeed asked earlier and answered. I'll just repeat it in a brief way. The difference largely which you see between Q2 and Q1 is because of the market headwinds, particularly the bond issuances as well as the bank credit. Our approach has been stable and our position also largely has been stable.
- Pritesh Chheda:** Any incremental pricing concerns or anything that you see in the market?
- L Shivakumar:** There is nothing which differentiates this quarter from the previous quarter. As I mentioned, those drivers are by and large the same. It was more the market headwinds.
- Moderator:** Ladies and gentlemen, that was the last question of our question-and-answer session. As there are no further questions, I would like to hand the conference over to Mr. Venkatesh Viswanathan, Group CFO for closing comments.
- Venkatesh Viswanathan:** We have come to the close of the analyst and investor call. On behalf of ICRA management, I thank all the participants for their time and the insightful discussion that we had today. Thank you.
- Moderator:** Ladies and gentlemen, on behalf of ICRA management, that concludes this conference call. I thank all the participants for joining us.