



ICRA

ICRA Limited

February 7, 2018

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: - Analyst Presentation, Q3 FY 18

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 FY 18.

Kindly take the above on record.

Regards,

Sincerely,

(S. Shakeb Rahman)
Company Secretary & Compliance Officer

Encl.: As above



ICRA

A MOODY'S INVESTORS
SERVICE COMPANY

Analyst Presentation, Q3 FY 18

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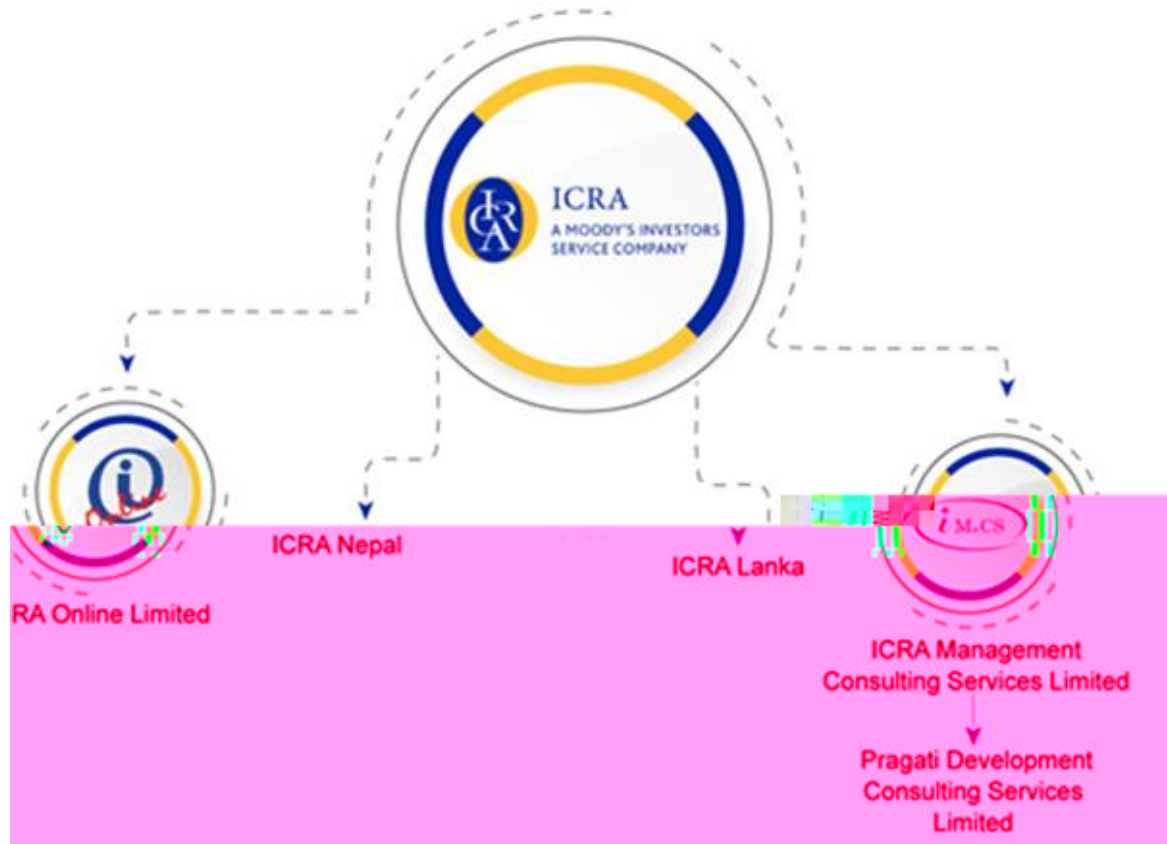


ICRA

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SERVICE COMPANY

Business Profile

ICRA Group Structure



ICRA Group Mission

To be at the forefront of enhancing market efficiency as the most respected rating and analytical service firm by:

- Serving our customers with the high value of integrity, intellectual rigour and independence
- Maintain high ethical standards, with sound governance practices and being socially responsible.
- Creating a stimulating, inclusive and transparent environment for our employees



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Performance Review: ICRA Limited

ICRA Standalone: Financial Highlights

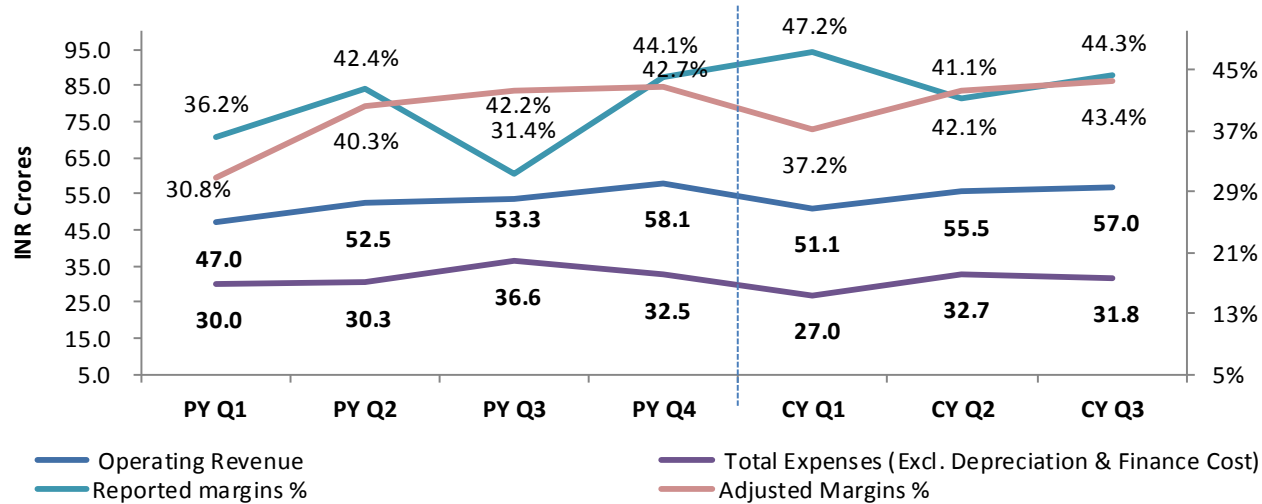
- For the quarter ended December 31, 2017, the Company's operating income was Rs 57 crore, as against Rs 53 crore in the corresponding quarter of the previous financial year, reflecting a growth of 7%. The growth in operating income was primarily driven by growth in debt-market and structured finance related ratings.
- The other income in the quarter declined by 25%, as compared to the corresponding quarter of the previous financial year, due to lower capital gains on mutual funds and no dividend income from subsidiaries in the current quarter.
- PBT (before exceptional item) for the quarter was at Rs. 33.3 crore, reflecting a growth of 20.4% against the corresponding quarter of the previous financial year.
- PAT for the quarter was at Rs 22 crore, lower by 11% against the corresponding quarter of the previous financial year, due to an exceptional item (capital gain) of Rs. 6.8 crore in the corresponding quarter of the previous financial year.
- The Indian Accounting Standard (Ind-AS) have been adopted by the Company from April 1, 2016

ICRA: Standalone Financials

Particulars (Rs. Crore)	Standalone							
	FY 17 Q3	FY 18 Q3	Variance Rs	Variance %	FY 17 9M	FY 18 9M	Variance Rs	Variance %
Income								
Revenue from operations	53.3	57.0	3.7	6.9%	152.8	163.6	10.8	7.1%
Other income	11.7	8.8	(2.9)	-25.1%	39.1	35.1	(4.0)	-10.2%
Total income	65.1	65.8	0.7	1.1%	191.9	198.7	6.8	3.6%
Expenses								
Employee benefits expenses	26.5	24.4	(2.1)	-8.0%	69.9	69.9	(0.0)	0.0%
Depreciation and amortisation expenses	0.8	0.7	(0.1)	-15.1%	2.3	2.0	(0.3)	-13.5%
Other expenses	10.1	7.4	(2.7)	-26.6%	26.8	21.5	(5.3)	-19.8%
Total expenses	37.4	32.5	(4.9)	-13.2%	99.1	93.5	(5.6)	-5.7%
Profit before exceptional items and tax	27.7	33.3	5.6	20.4%	92.8	105.3	12.5	13.4%
Exceptional items	6.8	-	(6.8)		6.8	-	(6.8)	
Profit before tax	34.5	33.3	(1.2)	-3.4%	99.6	105.3	5.7	5.7%
Total tax expense	9.3	10.9	1.6	17.7%	25.3	32.4	7.1	28.0%
Profit after tax	25.2	22.4	(2.8)	-11.2%	74.3	72.9	(1.4)	-1.9%
Total comprehensive income, net of income tax	25.1	22.4	(2.7)	-10.9%	74.0	73.0	(1.0)	-1.3%
Operating margins%	31.5%	44.3%			36.7%	44.1%		
Adjusted margins%*	42.2%	43.4%			37.3%	41.1%		

*Adjustments are primarily for change in accounting practice for provision for doubtful debts and for reversal of provision (made in PY) in 9MFY18 on account of variable compensation, as well as certain one-time expenses in the previous year

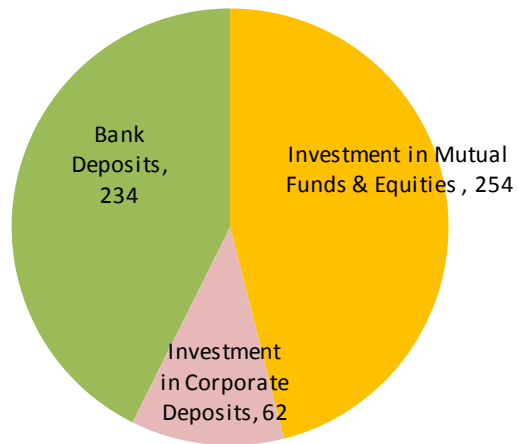
ICRA: Standalone Profit & Loss (Quarterly Performance)



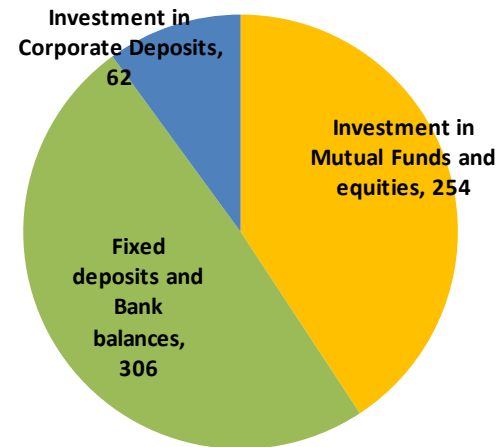
ICRA Ratings (Rs. Crores)	PY Q1	PY Q2	PY Q3	PY Q4	CY Q1	CY Q2	CY Q3
Operating Revenue	47.0	52.5	53.3	58.1	51.1	55.5	57.0
Total Expenses (Excl. Depreciation & Finance Cost)	30.0	30.3	36.6	32.5	27.0	32.7	31.8
Reported margins %	36.2%	42.4%	31.4%	44.1%	47.2%	41.1%	44.3%
Adjusted Margins %	30.8%	40.3%	42.2%	42.7%	37.2%	42.1%	43.4%

ICRA: Investments as on December 31,2017

ICRA Investments Standalone (Rs 550 Cr)



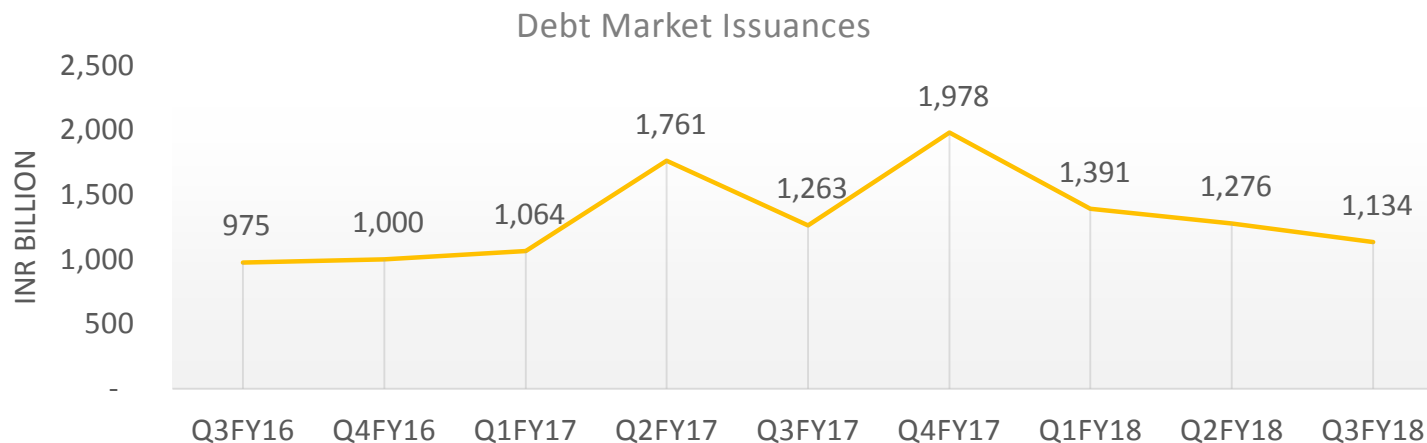
ICRA Investments Group (Rs 622 Cr)



- **Yield of 6.4% (CAGR) on MF, 6.8 % on Bank deposits, 6.9% on Corporate Deposits**

Operating Environment

- Overall bank credit growth continues to be subdued due to lackluster investment demand
- Bond issuances witnessed a Y-o-Y de-growth at 10% due to
 - Hardening of yields
 - Replacement of long term borrowings with short-term borrowings
 - Limited headroom for FII investments in corporate bonds
- CP outstanding grew by 4%, YoY in Q3FY18, owing to higher working capital requirements, as well as the increasing rate differential between long-term and short-term rates



ICRA: Challenges and Risk Factors

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



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Performance Review: ICRA Group

ICRA Group: Financial Highlights

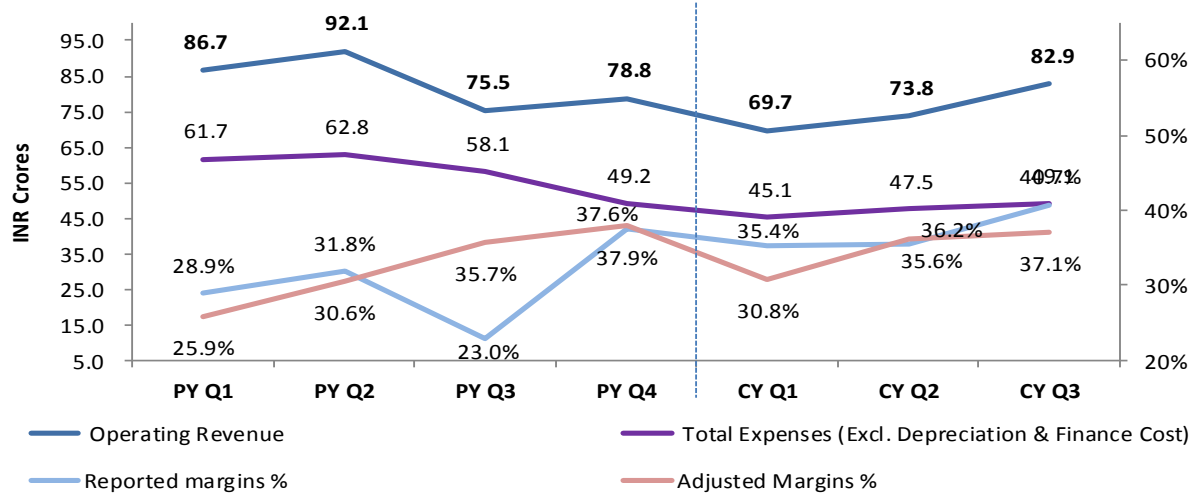
- For the quarter ended December 31, 2017, the consolidated operating income stood at Rs 83 crore, against Rs 76 crore in the corresponding quarter of the previous financial year, reflecting a growth of nearly 10%.
- PBT is at Rs 42 crore, as against Rs 26 crore in the corresponding quarter of the previous year, recording a 62% increase. Decline in expenses due to certain one time expenses in the previous year, and the inclusion of the SEIS incentive have lead to an increase in consolidated PBT for the quarter.
- PAT from operations in the current quarter stood at Rs 27 crores, against Rs 16 crores, reflecting a growth of 64%

ICRA Group: Consolidated Financials

Particulars (Rs. crores)	ICRA Consolidated							
	FY 17 Q3	FY 18 Q3	Variance Rs	Variance %	FY 17 9M	FY 18 9M	Variance Rs	Variance %
Income								
Revenue from operations	75.5	82.9	7.4	9.8%	254.3	226.4	(27.9)	-11.0%
Other income	10.3	9.9	(0.4)	-4.3%	29.5	32.2	2.6	8.9%
Total income	85.8	92.8	7.0	8.1%	283.8	258.6	(25.2)	-8.9%
Expenses								
Employee benefits expenses	40.3	36.5	(3.8)	-9.4%	124.9	104.6	(20.3)	-16.3%
Depreciation and amortisation expenses	2.1	2.0	(0.1)	-3.6%	6.5	5.5	(1.0)	-15.4%
Other expenses	17.8	12.6	(5.2)	-29.1%	57.7	37.1	(20.5)	-35.6%
Total expenses	60.2	51.1	(9.1)	-15.1%	189.2	147.3	(41.9)	-22.1%
Profit before tax	25.6	41.7	16.0	62.5%	94.6	111.3	16.7	17.6%
Total tax expense	9.5	15.2	5.6	59.0%	31.5	37.6	6.1	19.5%
Profit after tax	16.1	26.5	10.4	64.6%	63.1	73.6	10.5	16.7%
Total comprehensive income, net of income tax	16.2	26.5	10.3	63.5%	62.8	73.7	10.9	17.3%
Operating margins%	23.0%	40.7%			28.2%	37.4%		
Adjusted margins%*	35.8%	37.1%			30.3%	34.8%		

*Adjustments are primarily for change in accounting practice for provision for doubtful debts and for reversal of provision (made in PY) in 9mFY18 on account of variable compensation, as well as certain one-time expenses in the previous year

ICRA: Group Profit & Loss (Quarterly Performance)



ICRA Group (Rs. Crores)	PY Q1	PY Q2	PY Q3	PY Q4	CY Q1	CY Q2	CY Q3
Operating Revenue	86.7	92.1	75.5	78.8	69.7	73.8	82.9
Total Expenses (Excl. Depreciation & Finance Cost)	61.7	62.8	58.1	49.2	45.1	47.5	49.1
Reported margins %	28.9%	31.8%	23.0%	37.6%	35.4%	35.6%	40.7%
Adjusted Margins %	25.9%	30.6%	35.7%	37.9%	30.8%	36.2%	37.1%

ICRA Group: Segment-wise Composition

Revenue Composition (Adjusted)	Q3 FY 17 Rs. Cr	FY 17 %	Q3 FY 18 Rs. Cr	FY 18 %
Ratings	54.1	71.6%	59.6	75.3%
Consultancy	7.6	10.0%	6.3	7.9%
Outsourced and Information Services	12.5	16.5%	13.2	16.7%
IT related (Sales & Professional)	1.4	1.8%	0.1	0.1%
Total Operating Income	75.5	100.0%	79.2	100.0%

Reported margins absolute (Adjusted)	Q3 FY 17 Rs. Cr	FY 17 %	Q3 FY 18 Rs. Cr	FY 18 %
Ratings	23.1	85.6%	25.9	88.3%
Consultancy	0.7	2.6%	(0.0)	-0.1%
Outsourced and Information Services	3.9	14.6%	3.5	11.8%
IT related (Sales & Professional)	(0.8)	-2.8%	0.0	0.0%
Total Segmental Profits (OPBDIT)	26.9	100.0%	29.3	100%

Revenue Composition (Adjusted)	9M FY 17 Rs. Cr	FY 17 %	9M FY 18 Rs. Cr	FY 18 %
Ratings	154.7	60.9%	169.9	75.6%
Consultancy	22.0	8.6%	16.9	7.5%
Outsourced and Information Services	36.3	14.3%	37.6	16.7%
IT related (Sales & Professional)	41.3	16.2%	0.3	0.1%
Total Operating Income	254.3	100%	224.7	100%

Reported margins absolute (Adjusted)	9M FY 17 Rs. Cr	FY 17 %	9M FY 18 Rs. Cr	FY 18 %
Ratings	58.2	75.5%	70.6	90.3%
Consultancy	1.0	1.3%	(2.6)	-3.3%
Outsourced and Information Services	12.6	16.3%	10.3	13.1%
IT related (Sales & Professional)	5.3	6.9%	(0.1)	-0.2%
Total Segmental Profits (OPBDIT)	77.1	100%	78.2	100%

Consulting Services

- Operating Revenue is 17% lower in Q3 FY18 (YoY) due to delay in contract closure and consequent deferment of project execution, as well as de-emphasis on certain non profitable segments due to strategic shift
- Operating margins continue to be negative in Q3 FY18, due to higher provisions

Outsourcing and Information Services

- Operating revenue (excluding SEIS incentive) recorded a growth of 5.5% (YoY) in Q3 FY18, driven by growth in domestic and global markets. Revenue growth is impacted by Rupee appreciation, compared to the corresponding quarter of the previous year, while the SEIS incentive of Rs 5.3 cr* provided a fillip through other operating income
- Year-on-year, operating margin is lower due to the adverse impact of Rupee appreciation

* Rs 1.47 cr pertains to FY18 and balance Rs 3.86 cr pertains to FY16 and FY17

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. The Company assumes no obligation to publicly update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition.

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