



ICRA Limited

Analyst Presentation, 2008-09

May 2009

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- 2 Financial Performance Review
- 3 Business Update
- 4 Business Outlook and Challenges

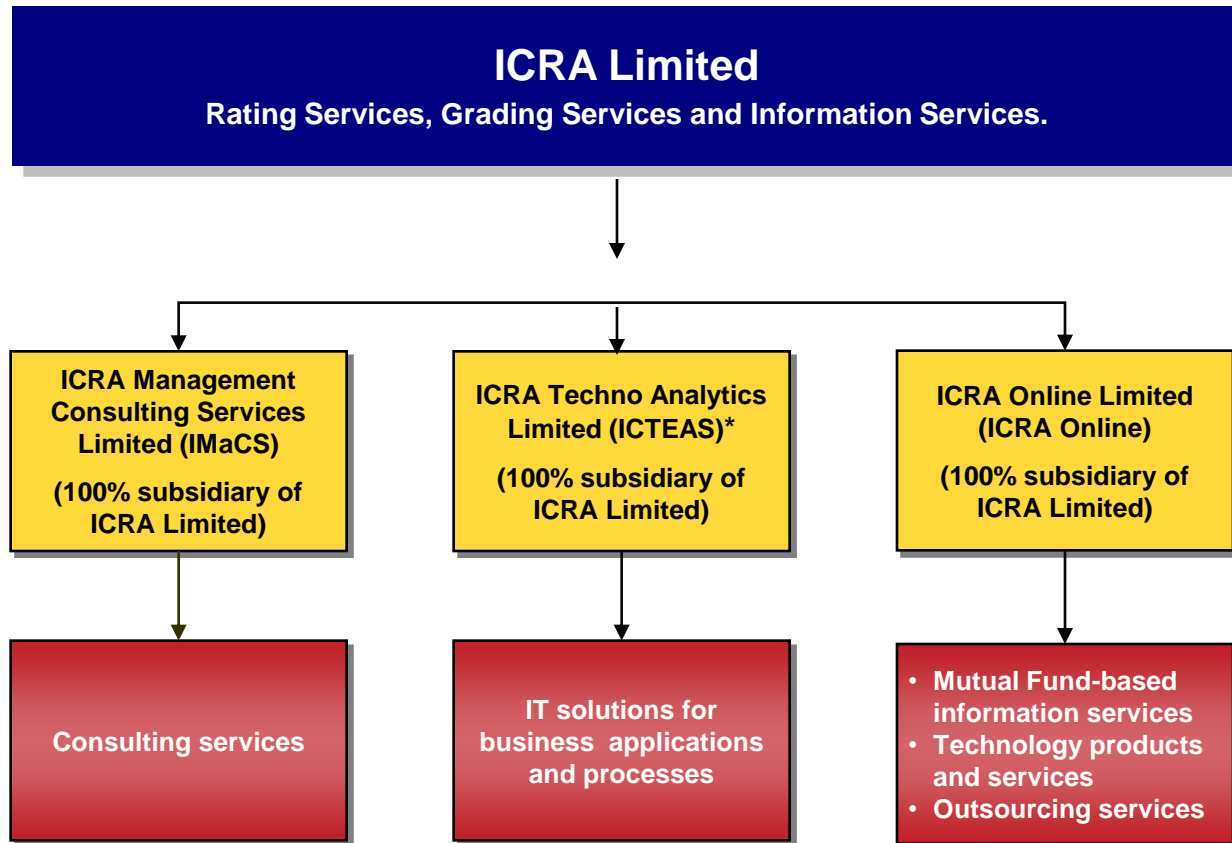


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Background and Business



Background and Business



- ICRA is one of the leading Credit Rating agencies in India, and an Associate of Moody's Investors Service
- Besides Ratings, Group ICRA offers Consulting services, IT-based services, Information services, and Outsourcing services.

* During the year , ICTEAS acquired Kolkata-based Axiom Technologies and ICTEAS Inc., which is a wholly owned subsidiary of ICTEAS , acquired US-based Sapphire International Inc.

2 *Financial Performance Review*



Financial Highlights, 2008-09

- ICRA's Revenues up by 48% (Previous Year 47%)
- ICRA's Net Profit up by 36% (PY 65%)
- Consolidated Group Revenue up 40% (PY 40%); Consolidated Group Net Profit up 37% (PY 43%)
- Proposed Dividend of Rs. 7 per share
- Proposed Special Dividend of Rs. 5 per share

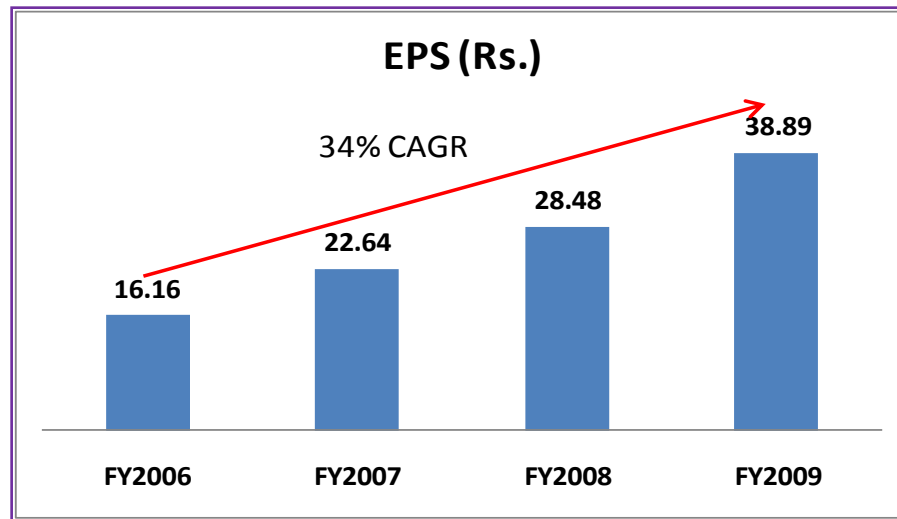
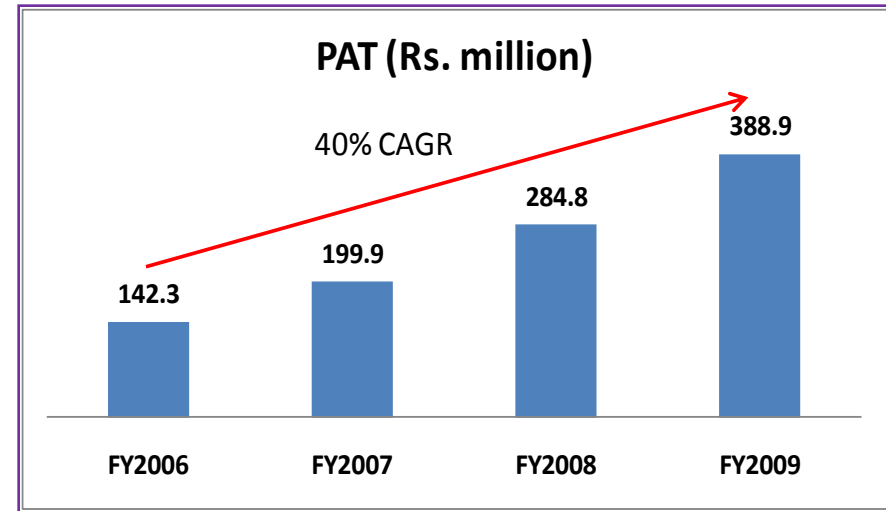
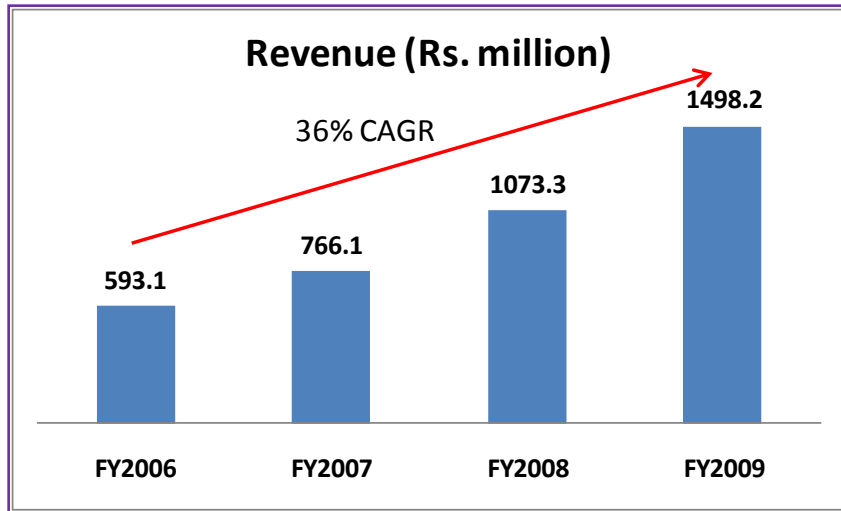


ICRA: Standalone Financials

Rs. million	FY2008	FY2009	Y-o-Y Growth
Revenues			
Rating	602.6	885.2	47%
Information Services	4.3	2.1	-51%
Total Operating Income	606.9	887.3	46%
Other Income	79.4	127.1	60%
Total Income	686.3	1014.4	48%
PBDIT	396.7	544.4	37%
Interest	0.0	0.0	
PBDT	396.7	544.4	37%
Depreciation	18.1	17.8	-2%
PBT	378.5	526.6	39%
Tax	111.9	165.1	48%
PAT	266.6	361.5	36%
EPS (Wtd. Avg.) in Rs.	26.66	36.15	36%
Key Ratios			
PBDIT/Total Income	58%	54%	
OPBDIT/Operating Income	62%	64%	
Ratings Operating Margin	64%	66%	
Other Income/Total Income	12%	13%	
Personnel Expense/Total Income	29%	27%	
Other Expense/Total Income	13%	20%	
Tax/PBT	30%	31%	
PAT/Total Income	39%	36%	

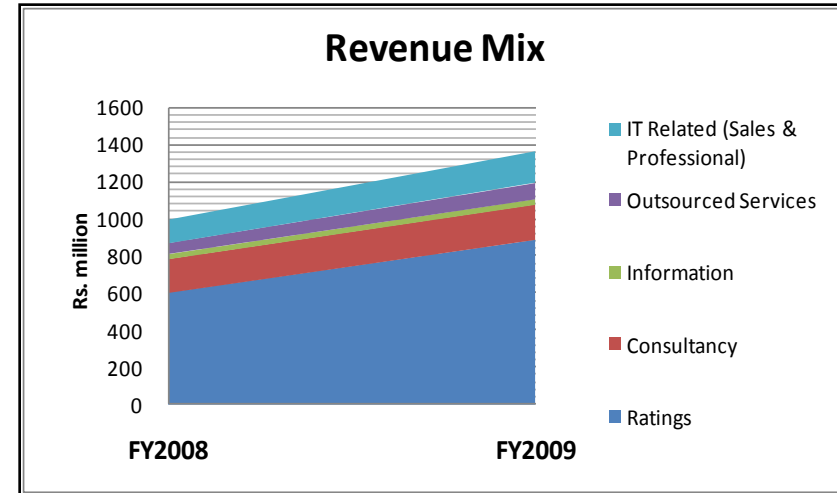
- Strong Financial Performance
- Ratings Income up by 47%
- Improvement in operating profitability from 62% to 64%
- Net Profits up by 36%

Group ICRA: Performance over the Years



ICRA Group: Consolidated Performance

Revenues	FY2008	FY2009	Growth
Ratings	602.6	885.2	47%
Consultancy	180.5	188.7	5%
Information	27.3	30.6	12%
Outsourced Services	58.5	87.3	49%
IT Related (Sales & Professional)	125.6	166.4	33%
Total Operating Income	994.5	1,358.2	37%
Other Income	78.8	140.0	78%
Total Income	1,073.3	1,498.2	40%
PBDIT	442.2	605.7	37%
Interest	0.0	0.2	
PBDT	442.2	605.6	37%
Depreciation	38.0	36.5	-4%
Prior Period Adjustments	0.2	1.0	
PBT	403.9	568.1	41%
Taxes	119.2	179.2	50%
PAT	284.7	388.9	37%



- Total Income has gone up by 40% while PAT has increased by 37% during 2008-09
- Share of Ratings and Outsourcing Services in the revenue mix has increased

ICRA Group: Key Ratios

Profitability Related Indicators	FY2008	FY2009
Segment-wise OPBDIT Margin		
Ratings PBDIT Margin	64%	66%
Consulting PBDIT Margin	11%	2%
Information PBDIT Margin	-8%	2%
Outsourcing PBDIT Margin	19%	37%
IT PBDIT Margin	6%	-1%
Total OPBDIT Margin	43%	46%
Other Indicators		
PBDIT/Total Income	41%	40%
Other Income/Total Income	7%	9%
Personnel Expense/Total Income	40%	37%
Other Expense/Total Income	19%	23%
Tax/PBT	30%	32%
PAT/Total Income	27%	26%
EPS (Wtd. Avg.) (in Rs.)	28.48	38.89
EPS (Wtd. Avg.) Y-o-Y Growth		37%

- Overall Group profitability improved in 2008-09, mainly on the strength of Ratings and Outsourcing Services
- Profitability of some of the other businesses has suffered (discussed under 'Business Update')



ICRA Group: Segment-wise Contributions

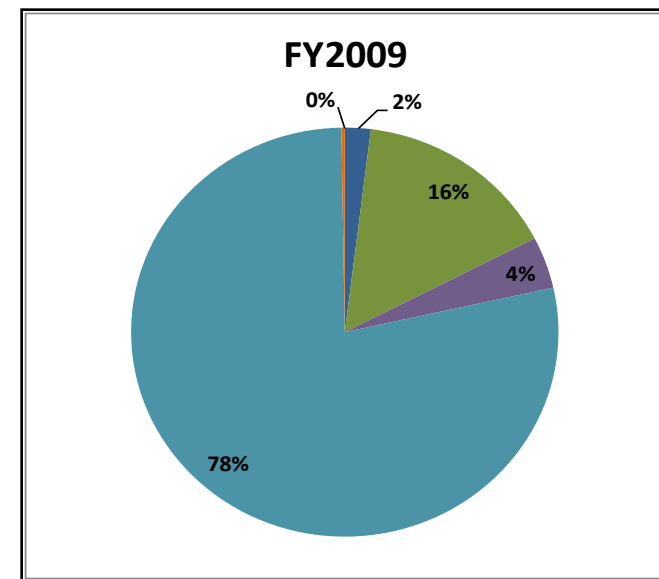
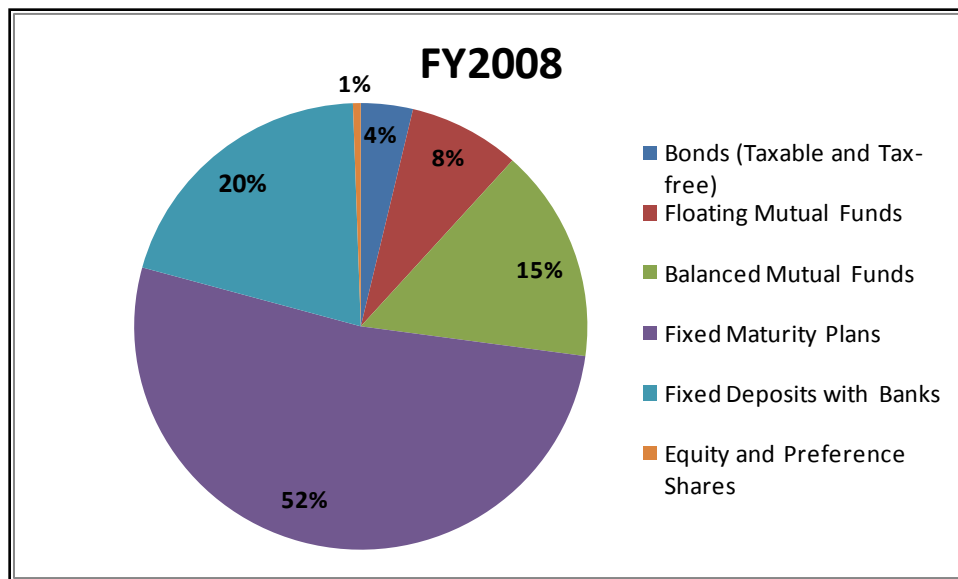
Revenues Break-up	FY2008	FY2009
Ratings	56%	59%
Consultancy	17%	13%
Information	3%	2%
Outsourced Services	5%	6%
IT Related (Sales & Professional)	12%	11%
Total Operating Income	93%	91%
Other Income	7%	9%
Total Income	100%	100%
Segment-wise OPBDIT Contribution	FY2008	FY2009
Ratings	91%	94%
Consultancy	5%	1%
Information	-1%	0%
Outsourced Services	3%	5%
IT Related (Sales & Professional)	2%	0%
Total OPBDIT	100%	100%

- With Ratings Business posting high growth, its contribution to Revenues and Operating Profits has increased
- Share of Outsourcing Business in Revenues and Operating Profits has also increased

ICRA Group – Investment Profile

Investments (Rs. million)	FY2008	FY2009
Equity and Preference Shares	6.3	3.5
Bonds (Taxable and Tax-free)	41.9	26.9
Floating Mutual Funds	90.0	0.0
Balanced Mutual Funds	174.7	304.6
Fixed Maturity Plans	589.0	56.1
MTM Loss on Investments	0.0	91.9
Net Investment	901.9	299.2
Fixed Deposits with Banks	228.2	1075.5
Total Liquid Investments	1130.1	1374.7

- Due to changes in market conditions, debt fund investments were redeemed and parked in fixed deposits
- During 2008-09, mark-to-market provisions relating to mutual fund investments amounting to Rs. 91.9 million were made



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Business Update

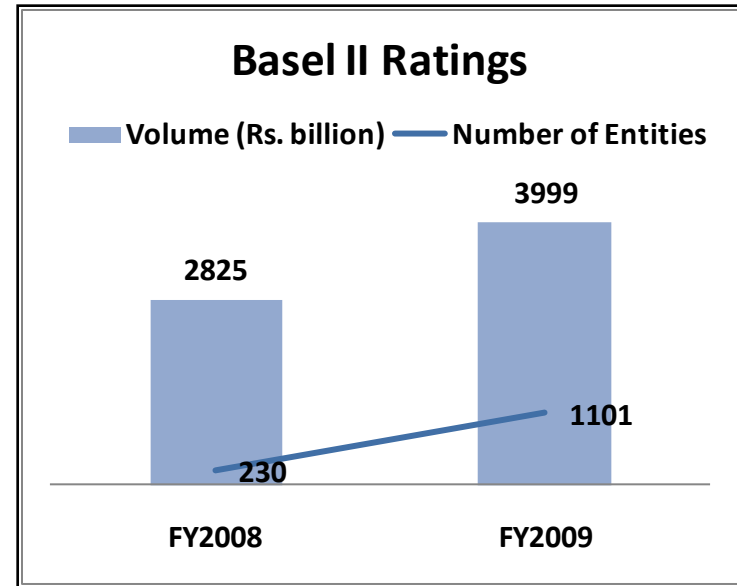
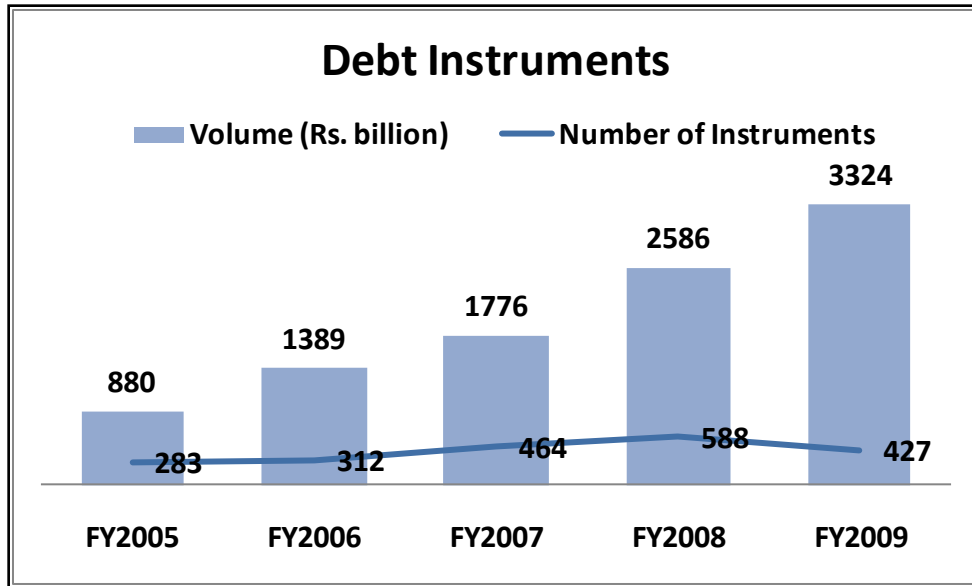


Business Update: Rating Services

- Performance highlights:
 - Revenue grew by 47% (PY 55%)
 - Operating profits grew by 52% (PY 61%)
- Growth driven by:
 - Basel II rollout
 - Acquisition of new clients
 - Significant increase in volume of rated debt and bank lines of credit
- Growth constrained by:
 - Economic slowdown, especially investment demand
 - Adverse debt and capital market conditions
 - Stagnation in financial sector volumes and contraction in structured finance volumes during H2.
- Profitability buoyed by:
 - Productivity improvements
 - Impact of Operating Leverage (with growth in revenues exceeding expenses)



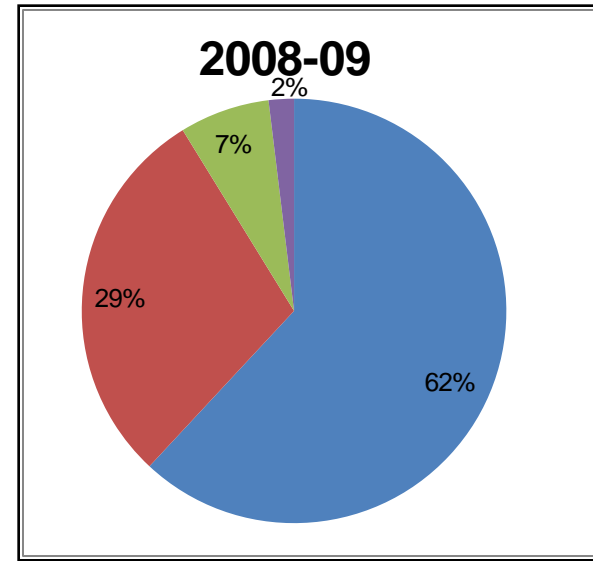
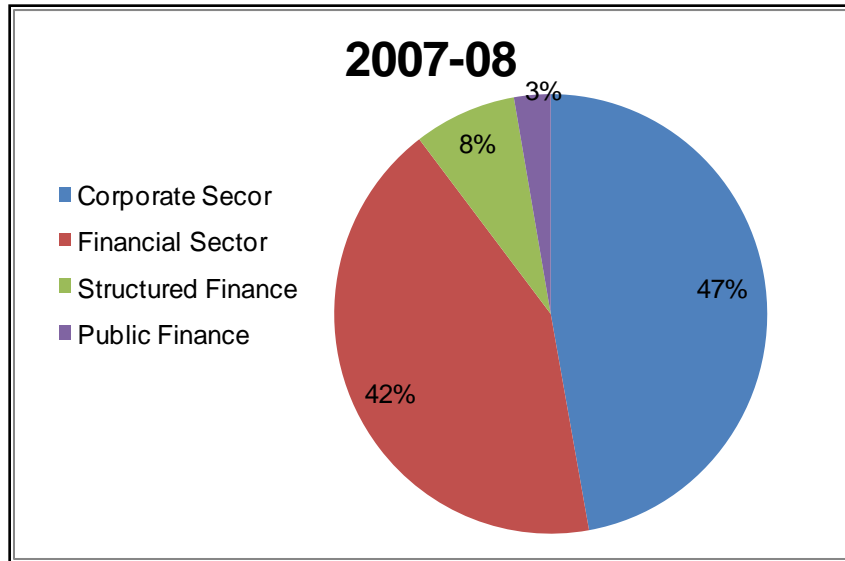
Business Update: ICRA Rated Volumes



- Volume of debt and of bank lines of credit (Basel II) rated by ICRA have both grown
- Number of ICRA rated entities under Basel II has increased significantly

Business Update: Rating Revenues Break-up

Sector-wise Classification



- With significant increase in Basel II related ratings, Corporate Sector's share of Ratings Revenue has gone up significantly. Basel II related revenue has contributed to around 43% of total Rating Revenues (up from around 20% PY)
- With adverse market conditions prevailing, share of Financial and Structured Finance business has declined

Business Update: Advisory Services

- Performance highlight
 - Operating Revenue grew by 5% (PY 20%)
- Growth and Profitability adversely impacted by:
 - Adverse economic conditions, which impacted some key industry verticals of IMaCS, such as Banking and Financial Services (BFS), Automotive, Hospitality and Retail
 - Sharp cut in discretionary spend budgets by firms, which resulted in cancellation/deferment of several consulting assignments
 - Severe liquidity shortage and foreign exchange fluctuations delayed projects in infrastructure sector and extended payment cycles across the board
 - Erosion of pricing power, which followed from the surplus in the consulting industry created by all the above factors
- Coping strategies
 - Increased exposure and resource allocation towards the less impacted sectors, such as Development consulting, Government /Multi-lateral agencies, Healthcare, and Public-Private Partnerships
 - Created new service offerings in segments where demand for consulting services has shown a rise, e.g. Risk management, Profit improvement, and Financial restructuring



Business Update: IT Related Services

■ Highlights

- Revenue grew by 33% (PY 21%)
- Acquisition of Sapphire International Inc., a Connecticut (US)-based company that specialises in the Disaster Response Initiative space
- Acquisition of Axiom Technologies Ltd., a Kolkata-based company offering services in the Oracle ERP space

■ Growth driven by:

- Business Intelligence and Analytics domain
- Acquisition of new clients and bigger projects
- Steady growth in business from prominent existing clients
- New Releases and introduction of products at different price points

■ Profitability impacted by:

- INR depreciation against the US dollar (by 14.70% from INR 40.01 to INR 45.89) – positive impact
- Cost incurred on strengthening of middle management cadre and other HR related initiatives
- Cost incurred on infrastructure and capacity building

■ Challenges

- To scale up size of operations
- To move into newer geographies
- To Introduce IT products and information services to cover other asset classes, e.g. Debt, Forex, Commodities



Business Update: Outsourcing Services

- Performance highlight
 - Revenue grew by 49% (PY 37%)

- Business impacted by global credit market conditions
 - Approximately 50% of the business is linked to the structured finance market, which has been significantly impacted
 - Pipeline pertaining to new services and new clientele has been significantly impacted as some firms with whom pilot projects had been done in the previous fiscal have either gone out of business or have scaled down operations
 - Clients unwilling to discuss price escalations in the current business environment

- Coping Strategy
 - Have realigned offerings, focusing more on high-volume data extraction and aggregation services

- Mitigant
 - INR depreciation against US dollar has lead to augmentation of operating income and profitability

- Challenges
 - To expand client base
 - To scale up size of operations



Business Update: Information Services

- Performance highlight:
 - Revenue grew by 12% (PY 39%)
- Growth driven by:
 - Addition of prominent clients in the Financial sector domain
 - More comprehensive data point and research coverage
 - Addition of ULIP data



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Business Outlook and Challenges



Business Outlook: Rating Services

- Basel II implementation expected to provide growth opportunities (Short to Medium term)
 - However, revenue and profitability growth is likely to be moderated by the increasing proportion of relatively smaller-ticket business
- Higher corporate issuance in local debt market, which is relatively under-penetrated, expected to provide opportunities to rate increased debt issuances (Medium to Long term)
 - Large investment requirements leading to increase in funding requirements
 - Govt.'s forex inflows management related concerns
 - Govt. initiatives to revive the debt market
 - Growth in assets under insurance and pension schemes
 - Enhanced possibilities of risk-based pricing by banks (with loan exposures getting rated under Basel II)
- Likely continuance of growth in credit demand and improvement in capital markets expected to drive financial sector related issuance
- Expansion of under-penetrated structured finance market following growth in credit expected to lead to higher funding and capital requirements
- Significant funding requirements of sub-sovereign entities



Business Outlook: Rating Services

- ICRA is well positioned to exploit the emerging opportunities, given its:
 - Strong brand and competitive strengths
 - Proven ability to make product and service innovations
 - Track record of Ratings
 - Experienced Management team and rich talent pool
 - Close association with Moody's



Challenges/Risk Factors: Rating Services

- Prolonged slowdown in economic or investment growth
- Protracted slowdown/disruption in domestic debt/capital markets
- 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 and attract quality manpower; increasing compensation and related operating costs
- Squeeze on profit margins from pricing and cost pressures, besides increasing proportion of relatively smaller-ticket business



Disclaimer

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