

**ICRA Limited**CMP Rs. 1,210.0  
HOLDResult Update  
Q1FY11

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**Steady Performance, hampered by one off reversal!****Performance Highlights:**

The consolidated top line of the rating and consulting major ICRA Ltd. increased 24% Y-Y to Rs. 410Mn. for the quarter ended June 2010 as compared to Rs. 332Mn. for the quarter ended June 2009. Though on a sequential basis, the topline decreased by 19% as compared to the March 2010 reported numbers.

Rating services segment reported a growth of 30% Y-Y to Rs. 271Mn. for Jun'10 v/s Rs. 209Mn. for Jun'09. This is attributable to the rise in ratings of debt instruments and expansion of bank loan ratings, which was aptly supported by both corporate and financial sector ratings. The company was also able to add new issuers/borrowers to its list of rating clients during this period.

Ratings contributed a major 66% to the total revenues, Consulting services contributed 12.5% and the rest was a mix of I.T., Outsourced and Professional services fees.

The effective tax rate for the company has also decreased by 211 bps to 33% in the current quarter as against 35% for the corresponding quarter of last year.

Bottom line for the company shows a decline of 14% Y-Y from Rs. 124Mn. in Q1FY10 v/s Rs. 106Mn. for Q1FY11. This was on account of a sharp decline arising from reversal in diminution in the carrying value of investments, which stood at Rs. 66Mn. for June 2009 as compared to a much lower figure of Rs. 2.6Mn. for June 2010.

Adjusting for the same, PAT for Q1FY11 stands at Rs. 103.5Mn. as against Rs. 57Mn. for Q1FY10. Thus, adjusted EPS for Q1FY11 stood at Rs. 10.4/- as compared to Rs. 5.7/- for Q1FY10.

**Our Call:**

We have not changed our estimates for FY11E. At CMP of Rs. 1,210.0/- ICRA is trading at 19x FY11E earnings of Rs. 63/- We maintain our HOLD recommendation.

### Quarterly Consolidated Financials

Earnings Statement								
Particulars (Rs. Mn.)	Q111	Q410	Q-Q(%)	Q110	Y-Y(%)	FY10	FY09	Y-Y(%)
Net Revenues	410.4	507.0	-19.1%	331.8	23.7%	1,623.2	1,358.2	19.5%
Total Expenditure	279.6	299.0	-6.5%	241.8	15.6%	1,015.8	892.4	13.8%
Staff Expense	190.5	204.7	-7.0%	161.9	17.7%	684.6	552.4	23.9%
Administrative Expense	31.6	29.9	5.4%	34.8	-9.2%	124.9	93.6	33.4%
Other Expenditure	57.5	64.3	-10.6%	45.2	27.3%	206.3	246.4	-16.3%
Operating Profit	130.9	208.0	-37.1%	90.0	45.5%	607.4	465.8	30.4%
Other Income *	36.7	30.0	22.3%	108.5	-66.2%	226.7	140.0	61.9%
EBITDA	167.5	238.0	-29.6%	198.4	-15.6%	834.1	605.7	37.7%
Depreciation	10.0	12.0	-16.9%	9.0	11.2%	41.4	36.5	13.6%
EBIT	157.6	226.0	-30.3%	189.5	-16.8%	792.7	569.3	39.2%
Interest	0.0	0.0	-	0.0	-	0.0	0.2	-
PBT	157.6	226.0	-30.3%	189.5	-16.8%	792.6	569.1	39.3%
Tax	51.4	67.5	-23.8%	65.8	-21.9%	257.8	176.7	45.9%
PAT before MI	106.1	158.5	-33.0%	123.6	-14.2%	534.8	392.4	36.3%
Minority Interest	0.0	0.0	-	0.0	-	0.0	0.0	-
PAT Before EI	106.1	158.5	-33.1%	123.6	-14.2%	534.7	392.4	36.3%
Extraordinary Items	0.0	0.0	-	0.0	-	0.0	(3.5)	-
Reported PAT	106.1	158.5	-33.1%	123.6	-14.2%	534.7	388.9	37.5%
Equity Capital	100.0	100.0	-	100.0	-	100.0	100.0	-
EPS	10.6	15.9	-33.1%	12.4	-14.2%	53.5	38.9	37.5%
(* includes reversal in diminution of carrying value of investments)								
Ratio Analysis								
Profitability	Q111	Q410	Q-Q(bps)	Q110	Y-Y(bps)	FY10	FY09	Y-Y(bps)
OPM (%)	31.9%	41.0%	(914.3)	27.1%	477.2	37.4%	34.3%	312.7
EBITDA (%)	40.8%	46.9%	(612.2)	59.8%	(1,899.5)	51.4%	44.6%	678.7
EBIT (%)	38.4%	44.6%	(618.4)	57.1%	(1,872.2)	48.8%	41.9%	692.0
PAT (%)	25.9%	31.3%	(540.9)	37.3%	(1,141.6)	32.9%	28.6%	431.4
Operational Parameters								
Particulars	Q111	Q410	Q-Q(bps)	Q110	Y-Y(bps)	FY10	FY09	Y-Y(bps)
Staff Expense	52.4%	56.3%	(392.1)	48.8%	361.2	42.2%	40.7%	150.2
Administrative Expense	8.7%	8.2%	44.7	10.5%	(179.0)	7.7%	6.9%	80.1
Other Expenditure	15.8%	17.7%	(187.2)	13.6%	220.5	12.7%	18.1%	(543.1)
Effective Tax Rate	32.6%	29.9%	277.6	34.7%	(210.9)	32.5%	31.0%	148.1

### Quarterly Consolidated Segmental Analysis

Segment Revenues	Jun 10	Mar 10	Q-Q(%)	Jun 09	Y-Y(%)	FY10	FY09	Y-Y(%)
Rating Services Fees	270.8	331.3	-18.3%	209.1	29.5%	1,061.5	885.2	19.9%
Consulting Fees	51.2	78.0	-34.4%	39.6	29.3%	216.5	188.7	14.7%
Information Services Fees	7.0	14.7	-52.4%	6.5	8.5%	40.8	30.6	33.1%
Outsourced Services Fees	31.0	49.1	-36.8%	27.3	13.7%	126.3	87.3	44.7%
Professional Services Fees	50.5	33.9	48.8%	49.4	2.2%	178.2	166.4	7.1%
<b>Total</b>	<b>410.4</b>	<b>507.0</b>	<b>-19.1%</b>	<b>331.8</b>	<b>23.7%</b>	<b>1,623.2</b>	<b>1,358.2</b>	<b>19.5%</b>

Segment Revenue Mix	Jun 10	Mar 10	Q-Q(bps)	Jun 09	Y-Y(bps)	FY10	FY09	Y-Y(bps)
Rating Services Fees	66.0%	65.3%	62.7	63.0%	294.5	65.4%	65.2%	22.2
Consulting Fees	12.5%	15.4%	(291.8)	11.9%	54.3	13.3%	13.9%	(55.6)
Information Services Fees	1.7%	2.9%	(119.3)	1.9%	(23.9)	2.5%	2.3%	25.7
Outsourced Services Fees	7.6%	9.7%	(212.3)	8.2%	(66.5)	7.8%	6.4%	135.3
Professional Services Fees	12.3%	6.7%	560.7	14.9%	(258.3)	11.0%	12.3%	(127.6)
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>		<b>100.0%</b>		<b>100.0%</b>	<b>100.0%</b>	

Segment Profits	Jun 10	Mar 10	Q-Q(%)	Jun 09	Y-Y(%)	FY10	FY09	Y-Y(%)
Rating Services Fees	149.7	213.7	-30.0%	114.8	30.4%	636.3	585.4	8.7%
Consulting Fees	0.2	17.3	-101.1%	(7.7)	-	21.0	4.5	364.2%
Information Services Fees	(2.6)	3.2	-19.2%	(3.6)	-28.4%	5.1	0.6	715.0%
Outsourced Services Fees	6.0	15.5	-61.6%	11.6	-48.7%	43.9	32.1	36.7%
Professional Services Fees	(2.5)	(14.5)	-	(6.7)	-	(19.2)	(2.0)	-
<b>Total</b>	<b>150.8</b>	<b>235.2</b>	<b>-35.9%</b>	<b>108.4</b>	<b>39.1%</b>	<b>687.1</b>	<b>620.7</b>	<b>10.7%</b>

Segment Profit Mix	Jun 10	Mar 10	Q-Q(bps)	Jun 09	Y-Y(bps)	FY10	FY09	Y-Y(bps)
Rating Services Fees	99.2%	90.8%	839.7	105.9%	(665.7)	92.6%	94.3%	(170.4)
Consulting Fees	0.1%	7.4%	(723.0)	-7.1%	-	3.0%	0.7%	232.3
Information Services Fees	-1.7%	1.4%	(305.6)	-3.3%	160.8	0.7%	0.1%	-
Outsourced Services Fees	4.0%	6.6%	(263.9)	10.7%	(675.6)	6.4%	5.2%	121.4
Professional Services Fees	-1.6%	-6.2%	-	-6.2%	453.1	-2.8%	-0.3%	-
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>		<b>100.0%</b>		<b>100.0%</b>	<b>100.0%</b>	

Segment Margins	Jun 10	Mar 10	Q-Q(bps)	Jun 09	Y-Y(bps)	FY10	FY09	Y-Y(bps)
Rating Services Fees	55.3%	64.5%	(922.3)	54.9%	37.2	59.9%	66.1%	(619.0)
Consulting Fees	0.4%	22.2%	(2,180.9)	-19.6%	-	9.7%	2.4%	728.7
Information Services Fees	-36.7%	21.6%	(5,837.4)	-55.7%	1,894.4	12.5%	2.0%	1,044.8
Outsourced Services Fees	19.2%	31.6%	(1,236.7)	42.5%	(2,332.5)	34.7%	36.8%	(203.6)
Professional Services Fees	-4.9%	-42.7%	3,781.5	-13.5%	866.3	-10.8%	-1.2%	-
<b>Total</b>	<b>36.7%</b>	<b>46.4%</b>	<b>(964.8)</b>	<b>32.7%</b>	<b>406.8</b>	<b>42.3%</b>	<b>45.7%</b>	<b>(337.1)</b>

## Consolidated Financials

Earnings Statement					Balance Sheet				
Particulars (Rs. Mn.)	FY08	FY09	FY10	FY11E	Particulars (Rs. Mn.)	FY08	FY09	FY10	FY11E
Total Revenues	994.5	1,358.2	1,623.2	1,907.3	Equity Capital	100.0	100.0	100.0	100.0
- Growth (%)	40.9%	36.6%	19.5%	17.5%	Reserves	1,538.6	1,787.1	2,117.2	2,551.3
Total Expenditure	631.1	892.4	1,015.8	1,192.1	Shareholders Funds	1,638.6	1,887.1	2,217.2	2,651.3
Operating Profit	363.4	465.8	607.4	715.2	Minority Interest	0.0	0.0	0.1	0.1
- Growth (%)	50.8%	28.2%	30.4%	17.8%	Borrowed Funds	0.0	0.0	0.0	0.0
Other Income	78.8	140.0	226.7	260.7	Deferred Tax Liability	2.8	(29.7)	(9.6)	(9.6)
EBITDA	442.2	605.7	834.1	975.9	Total Liabilities	1,641.3	1,857.4	2,207.7	2,641.9
- Growth (%)	46.9%	37.0%	8.3%	17.0%	Fixed Assets	237.2	241.0	241.6	226.5
Depreciation	38.0	36.5	792.7	931.0	Goodwill On Consolidation	51.5	71.0	95.7	95.7
EBIT	404.2	569.3	792.7	931.0	Investments	901.9	299.2	746.0	846.0
Interest	0.0	0.2	0.0	0.0	Current Assets				
PBT	404.1	569.1	792.6	931.0	Sundry Debtors	217.4	281.6	366.1	487.4
Tax	119.0	176.7	534.8	633.0	Loans & Advances	494.8	579.5	598.6	911.3
PAT Before MI	285.1	392.4	534.8	633.0	Cash & Bank Balance	255.4	1,126.3	1,164.9	1,217.1
Minority Interest	0.0	0.0	0.0	0.0	Other Current Assets	5.5	31.1	24.2	24.2
PAT Before EI	285.1	392.4	534.7	633.0	Current Liabilities				
- Growth (%)	42.6%	37.6%	36.3%	18.4%	Liabilities	239.4	367.5	537.8	609.3
Extraordinary Items	(0.3)	(3.5)	0.0	0.0	Provisions	282.9	404.9	491.7	557.1
Reported PAT	284.8	388.9	534.7	633.0	Net Current Assets	450.8	1,246.2	1,124.4	1,473.7
					Miscellaneous Exp W/Off	0.0	0.0	0.0	0.0
					Total Assets	1,641.3	1,857.4	2,207.7	2,641.9

  

Ratio Analysis				
Particulars	FY08	FY09	FY10	FY11E
OPM (%)	36.5%	34.3%	37.4%	37.5%
EBITDA (%)	44.5%	44.6%	51.4%	51.2%
PAT (%)	28.7%	28.9%	32.9%	33.2%
Interest Cover (x)	44,906.4	3,348.6	16,513.5	23,276.0
EPS (Rs.)	28.5	38.9	53.5	63.3
P/E (x)	42.5	31.1	22.6	19.1
P/BV (x)	7.4	6.4	4.6	4.6
BVPS (Rs.)	163.9	188.7	265.1	265.1
Market Cap (Rs. Mn.)	4,385.5	8,281.0	9,717.0	12,100.0
M Cap/Sales (x)	4.4	6.1	6.0	6.3
EV (Rs. Mn.)	4,130.1	7,154.7	8,499.9	10,882.9
EV/EBITDA (x)	9.3	11.8	10.2	11.2
EV/Sales (x)	4.2	5.3	5.2	5.7
ROCE (%)	24.6%	30.6%	30.0%	35.2%
RONW (%)	17.4%	20.8%	20.2%	23.9%
Debt/Equity Ratio (x)	0.0	0.0	0.0	0.0
Inventory T/o Days	0.0	0.0	0.0	0.0
Debtors T/o Days	78.7	74.7	108.1	92.0
Advances T/o Days	179.1	153.6	202.1	172.0
Creditors T/o Days	86.7	97.4	135.1	115.0
Wrkg Cap T/o Days (Ex.Cash)	70.7	31.8	56.9	48.4
Fixed Assets T/o (Gross)	2.5	3.2	3.2	3.7
DPS (Rs.)	10.3	12.0	17.0	17.0
Dividend Payout (%)	36.0%	30.9%	31.8%	26.9%
Dividend Yield (%)	0.8%	1.0%	1.4%	1.4%

  

Cash Flow				
Particulars (Rs. Mn.)	FY08	FY09	FY10	FY11E
Opening Cash & Bank	28,352.0	255.4	1,126.3	1,164.9
Profit After Tax	284.8	388.9	534.7	633.0
Investment Income	(78.8)	(140.0)	(226.7)	(260.7)
Interest Paid	0.0	0.2	0.0	0.0
Miscellaneous Exp W/Off	0.2	0.0	0.0	0.0
Depreciation	38.0	36.5	41.4	44.9
Deferred Taxation	(4.7)	(32.6)	0.0	0.0
Others	(7.2)	(8.2)	13.9	7.1
Change in Working Cap	(28,032.4)	75.6	160.4	(297.1)
CF - Operating Activities	(27,800.0)	320.3	523.8	127.2
Change in Fixed Assets	(39.0)	(32.0)	(35.9)	(36.8)
Change in Goodwill	0.0	(19.5)	(24.7)	0.0
Change in Investments	(216.1)	602.6	(446.8)	(100.0)
Investment Income	78.8	140.0	226.7	260.7
CF - Investing Activities	(176.3)	691.1	(280.7)	123.9
Increase in Equity	0.0	0.4	(5.7)	0.0
Mino	0.0	0.0	0.1	0.0
Changes in Borrowings	(0.3)	0.0	0.0	0.0
Interest Paid	(0.0)	(0.2)	(0.0)	(0.0)
Dividend Paid	(120.1)	(140.7)	(198.9)	(198.9)
CF - Financing Activities	(120.4)	(140.4)	(204.6)	(198.9)
Net Change in Cash	(28,096.7)	870.9	38.6	52.2
Closing Cash & Bank Bal	255.4	1,126.3	1,164.9	1,217.1

# Disclaimer

## Disclosure of Interest Statement

1. Analyst Ownership of the scrip
2. PPFAS ownership of the scrip
3. PMS ownership of the scrip

ICRA

NO  
YES  
YES

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