

ICRA LimitedCMP Rs. 845.0
HOLDResult Update
Q3FY10

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Steady Run Rate Maintained!

Performance Highlights:

The consolidated top line of the rating and consulting major ICRA increased 29% to Rs. 421Mn for the quarter ended Dec'09 as compared to Rs. 327Mn for the corresponding quarter previous year. Rating services which included the corporate and financial sector rating contributed a major 65% to the total revenue of the company while the rest was contributed by the consulting and other information and outsourcing related services.

The revenue from the rating business grew 30% to Rs. 274Mn for Q310 v/s Rs. 211mn for Q309. The continued growth in Rating Services Income during the quarter is on the back of RBI's guidelines on use of ratings assigned by external rating agencies. The market for grading of Initial Public Offerings (IPO) is also expected to pick-up as more issues tap the primary market. Besides the anticipated improvement in the corporate bond market is expected to give a fillip for the rating industry.

On the segmental front the company has reduced its losses sequentially as well on a full year comparison and is now moving into positive territory. On a Y-Y basis, profits of the Rating segment, Consulting segment and Information Services segment have increased by 19%, 274% and 112% respectively. Overall consolidated operating margins (OPM) gained by 183 bps to 42% for Q310 from 40.6% for Q309.

An almost three fold rise in other income to Rs. 37Mn (including, Rs. 3.1Mn from reversal of diminishing in carrying value of investments) has boosted EBITDA up by 61% to Rs. 215.5Mn for the quarter ended Dec'09 as against Rs. 134Mn for the quarter ended Dec'08.

Bottom line for the company has grown in a healthy manner by 60.5% from Rs. 91Mn in Q309 v/s Rs. 146Mn for Q310. This was maintained despite the effective tax rate moving up by 262.5 bps to 38% in the current quarter as against 35% for the corresponding quarter of last year.

Other Developments:

- ICRA Management Consulting Services (IMaCS), a wholly-owned subsidiary of the company and Virtus Global Partners, Inc. (VGP) have announced a joint venture to provide business consulting and transaction advisory services to companies and financial investors in the US. The joint venture, named IMaCS Virtus Global Partners, Inc. is headquartered at New York and will target clients both in India and in the US
- The company has also floated a joint venture (JV) in Nepal to replicate its rating business there and has set up a representative office in Kathmandu
- Further, ICRA has signed a Memorandum of Understanding (MOU) with Punjab National Bank and State Bank of Hyderabad under which the company will assign ratings to the bank's MSME clients under a separate SME Rating Scale

Our Call:

We have kept our estimates for FY10E and FY11E unchanged. At CMP of Rs. 845/- the scrip is trading at 16.8x FY10E and 13.7x FY11E earnings of Rs. 50/- and Rs. 62/- respectively. We maintain our HOLD call on the scrip.

Quarterly Consolidated Financials

Earnings Statement								
Particulars (Rs. Mn.)	Q310	Q210	Q-Q(%)	Q309	Y-Y(%)	9M10	9M09	Y-Y(%)
Net Revenues	421.0	363.5	15.8%	327.3	28.6%	1,116.2	924.9	20.7%
Total Expenditure	242.5	232.6	4.2%	194.6	24.6%	716.8	564.4	27.0%
Staff Expense	160.2	158.3	1.2%	136.6	17.3%	479.9	385.7	24.4%
Administrative Expense	29.4	29.8	-1.3%	23.3	26.4%	95.0	71.2	33.4%
Other Expenditure	52.8	44.5	18.7%	34.7	52.4%	142.0	107.4	32.2%
Operating Profit	178.5	130.9	36.4%	132.8	34.4%	399.4	360.6	10.8%
Other Income	37.0	51.3	-27.8%	1.3	2660.0%	196.7	46.4	323.9%
EBITDA	215.5	182.2	18.3%	134.1	60.7%	596.1	407.0	46.5%
Depreciation	10.5	10.0	4.7%	10.5	0.0%	29.5	29.3	0.6%
EBIT	205.0	172.1	19.1%	123.6	65.8%	566.6	377.7	50.0%
Interest	0.0	0.0	-	0.0	-	0.0	0.1	-
PBT	205.0	172.1	19.1%	123.6	65.8%	566.6	377.6	50.1%
Tax	59.2	65.3	-9.3%	32.8	80.6%	190.4	116.7	63.1%
PAT before EOI	145.8	106.8	36.5%	90.8	60.5%	376.2	260.8	44.2%
Extraordinary Items	0.0	0.0	-	0.0	-	0.0	0.0	-
Reported PAT	145.8	106.8	36.5%	90.8	60.5%	376.2	260.8	44.2%
Equity Capital	100.0	100.0	-	100.0	-	100.0	100.0	-
EPS	14.6	10.7	36.5%	9.1	60.5%	37.6	26.1	44.2%
Ratio Analysis								
Profitability	Q310	Q210	Q-Q(bps)	Q309	Y-Y(bps)	9M10	9M09	Y-Y(bps)
OPM (%)	42.4%	36.0%	639.4	40.6%	183.4	35.8%	39.0%	(320.5)
EBITDA (%)	51.2%	50.1%	107.6	41.0%	1,021.7	53.4%	44.0%	940.2
EBIT (%)	48.7%	47.4%	134.0	37.8%	1,092.8	50.8%	40.8%	992.8
PAT (%)	34.6%	29.4%	524.6	27.8%	688.0	33.7%	28.2%	550.7
Operational Parameters								
Particulars	Q310	Q210	Q-Q(bps)	Q309	Y-Y(bps)	9M10	9M09	Y-Y(bps)
Staff Expense	43.6%	48.6%	(507.1)	37.0%	659.4	43.0%	41.7%	128.9
Administrative Expense	8.2%	10.8%	(258.5)	6.5%	165.3	8.5%	7.7%	81.0
Other Expenditure	12.2%	13.5%	(121.8)	12.6%	(38.8)	12.7%	11.6%	110.6
Effective Tax Rate	37.9%	34.7%	319.3	35.3%	262.5	33.6%	30.9%	267.9

Quarterly Consolidated Segmental Analysis

Segment Revenues	Dec 09	Sep 09	Q-Q(%)	Dec 08	Y-Y(%)	9M10	9M09	Y-Y(%)
Rating Services Fees	273.8	247.3	10.7%	210.6	30.0%	730.2	596.3	22.5%
Consulting Fees	61.5	37.4	64.6%	49.6	24.0%	138.5	140.8	-1.7%
Information Services Fees	9.7	10.0	-2.6%	3.9	146.4%	26.1	17.6	48.1%
Outsourced Services Fees	24.3	25.6	-5.0%	24.8	-2.0%	77.2	60.0	28.5%
Professional Services Fees	51.6	43.3	19.2%	38.4	34.5%	144.3	110.2	30.9%
Total	421.0	363.5	15.8%	327.3	28.6%	1,116.2	924.9	20.7%
Segment Revenue Mix								
Segment Revenue Mix	Dec 09	Sep 09	Q-Q(bps)	Dec 08	Y-Y(bps)	9M10	9M09	Y-Y(bps)
Rating Services Fees	68.0%	63.0%	500.6	64.8%	323.5	65.4%	64.5%	94.9
Consulting Fees	10.3%	11.9%	(164.3)	16.4%	(608.2)	12.4%	15.2%	(281.7)
Information Services Fees	2.7%	1.9%	79.4	2.4%	31.4	2.3%	1.9%	43.3
Outsourced Services Fees	7.0%	8.2%	(119.2)	5.6%	148.3	6.9%	6.5%	42.2
Professional Services Fees	11.9%	14.9%	(296.6)	10.9%	105.1	12.9%	11.9%	101.2
Total	100.0%	100.0%	0.0	100.0%	0.0	100.0%	100.0%	0.0
Segment Profits								
Segment Profits	Dec 09	Sep 09	Q-Q(%)	Dec 08	Y-Y(%)	9M10	9M09	Y-Y(%)
Rating Services Fees	158.8	149.0	6.6%	133.5	19.0%	422.6	384.1	10.0%
Consulting Fees	17.2	(5.9)	194.1%	4.6	273.9%	3.6	12.5	-70.9%
Information Services Fees	7.0	(1.5)	369.5%	3.3	111.8%	1.9	(3.6)	-46.5%
Outsourced Services Fees	10.9	5.9	83.9%	10.8	0.4%	28.4	21.0	35.1%
Professional Services Fees	0.1	1.9	-96.1%	(4.9)	-101.5%	(4.7)	(2.9)	61.6%
Total	194.0	149.5	29.8%	147.4	31.6%	451.9	411.2	9.9%
Segment Profit Mix								
Segment Profit Mix	Dec 09	Sep 09	Q-Q(bps)	Dec 08	Y-Y(bps)	9M10	9M09	Y-Y(bps)
Rating Services Fees	99.7%	105.9%	(619.3)	90.5%	922.6	93.5%	93.4%	10.7
Consulting Fees	-3.9%	-7.1%	322.0	6.4%	(1,035.4)	0.8%	3.0%	(223.9)
Information Services Fees	-1.0%	-3.3%	231.6	-1.5%	53.6	0.4%	-0.9%	129.3
Outsourced Services Fees	4.0%	10.7%	(675.8)	3.8%	19.6	6.3%	5.1%	117.3
Professional Services Fees	1.3%	-6.2%	741.6	0.9%	39.5	-1.0%	-0.7%	(33.4)
Total	100.0%	100.0%	0.0	100.0%	0.0	100.0%	100.0%	0.0
Segment Margins								
Segment Margins	Dec 09	Sep 09	Q-Q(bps)	Dec 08	Y-Y(bps)	9M10	9M09	Y-Y(bps)
Rating Services Fees	60.3%	54.9%	535.7	68.4%	(811.9)	57.9%	64.4%	(653.9)
Consulting Fees	-15.7%	-19.6%	388.4	19.2%	(3,493.0)	2.6%	8.9%	(626.1)
Information Services Fees	-15.0%	-55.7%	4,070.4	-31.0%	1,599.7	7.3%	-20.3%	2,761.8
Outsourced Services Fees	23.1%	42.5%	(1,943.8)	33.1%	(1,002.8)	36.8%	35.0%	179.7
Professional Services Fees	4.3%	-13.5%	1,786.6	3.9%	45.0	-3.3%	-2.6%	(62.0)
Total	41.1%	32.7%	844.2	49.0%	(785.2)	40.5%	44.5%	(397.0)

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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