

ICRA LimitedCMP Rs. 971.7
HOLDResult Update
Q4FY10

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Quarterly Performance:

The consolidated top line of the rating and consulting major ICRA Ltd. increased 17% Y-Y to Rs. 507Mn. for the quarter ended Mar'10 as compared to Rs. 433Mn. for the quarter ended Mar'09. The growth in Rating services is attributable to the expansion of Bank Loan Ratings, which was supported by both Corporate and Financial sector ratings. The company was also able to add new issuers/borrowers to its list of Rating clients. Ratings contributed a major 65% to the total revenues, while the rest was contributed by Consulting services and Outsourcing related services.

A substantial rise in other income to Rs. 30Mn. (including, Rs. 4Mn. from reversal of diminishing in carrying value of investments) has boosted EBITDA up by 21% Y-Y to Rs. 238Mn. for the quarter ended Mar'10 as against Rs. 197Mn. for the corresponding quarter of last year.

Bottom line for the company has growth in a healthy manner by 24% Y-Y from Rs. 127Mn. in Q409 v/s Rs. 159Mn. in Q410. This was pushed by the effective tax rate moving down by 304 bps to 30% in the current quarter as against 33% for the corresponding quarter of last year.

Annual Performance:

Group ICRA's consolidated Total Income for the year ended March 2010 stood at Rs. 1,623Mn. vis-à-vis Rs. 1,358Mn. for the year ended March 2009, reflecting a growth of 19.5% Y-Y. The company's PAT grew by 37.5% Y-Y, amounting to Rs. 535Mn. for FY10 as against Rs. 389Mn. for FY09.

On the segmental front, revenues from Rating Services have risen by 20% Y-Y to Rs. 1,062Mn. for FY10 as compared to Rs. 885Mn. for FY09. Profits from the segment stood at Rs. 636Mn. v/s Rs. 585Mn. for FY09, a rise of 9% Y-Y. Likewise, the company's other segments have also delivered positive revenues and shown a marked improvement in its profits.

Other Developments:

The Board of Directors have recommended a dividend of Rs. 17/- per equity share for the financial year ended March 2010

Our Call:

We have marginally adjusted our estimates for FY11E as per the reported FY10 numbers. At CMP of Rs. 971.7/- ICRA is trading at 15x FY11E earnings of Rs. 63/- We maintain our HOLD recommendation.

Quarterly Consolidated Financials

Earnings Statement								
Particulars (Rs. Mn.)	Q410	Q310	Q-Q(%)	Q409	Y-Y(%)	FY10	FY09	Y-Y(%)
Net Revenues	507.0	421.0	20.4%	433.3	17.0%	1,623.2	1,358.2	19.5%
Total Expenditure	299.0	242.5	23.3%	237.9	25.7%	1,015.8	892.4	13.8%
Staff Expense	204.7	160.2	27.8%	166.7	22.8%	684.6	552.4	23.9%
Administrative Expense	29.9	29.4	1.9%	22.4	33.5%	124.9	93.6	33.4%
Other Expenditure	64.3	52.8	21.8%	48.8	31.9%	206.3	246.4	-16.3%
Operating Profit	208.0	178.5	16.6%	195.4	6.5%	607.4	465.8	30.4%
Other Income	30.0	37.0	-19.0%	1.7	1642.7%	226.7	140.0	61.9%
EBITDA	238.0	215.5	10.4%	197.1	20.8%	834.1	605.7	37.7%
Depreciation	12.0	10.5	14.2%	7.2	66.4%	41.4	36.5	13.6%
EBIT	226.0	205.0	10.3%	189.9	19.0%	792.7	569.3	39.2%
Interest	0.0	0.0	-	0.0	-	0.0	0.2	-
PBT	226.0	205.0	10.3%	189.9	19.0%	792.6	569.1	39.3%
Tax	67.5	59.2	14.0%	62.5	8.0%	257.8	176.7	45.9%
PAT before MI	158.5	145.8	8.7%	127.4	24.4%	534.8	392.4	36.3%
Minority Interest	0.0	0.0	-	0.0	-	0.0	0.0	-
PAT Before EI	158.5	145.8	8.7%	127.4	24.4%	534.7	392.4	36.3%
Extraordinary Items	0.0	0.0	-	0.0	-	0.0	(3.5)	-
Reported PAT	158.5	145.8	8.7%	127.4	24.4%	534.7	388.9	37.5%
Equity Capital	100.0	100.0	-	100.0	-	100.0	100.0	-
EPS	15.9	14.6	8.7%	12.7	24.4%	53.5	38.9	37.5%
Ratio Analysis								
Profitability	Q410	Q310	Q-Q(bps)	Q409	Y-Y(bps)	FY10	FY09	Y-Y(bps)
OPM (%)	41.0%	42.4%	(137.0)	45.1%	(406.3)	37.4%	34.3%	312.7
EBITDA (%)	46.9%	51.2%	(425.1)	45.5%	145.2	51.4%	44.6%	678.7
EBIT (%)	44.6%	48.7%	(412.1)	43.8%	75.1	48.8%	41.9%	692.0
PAT (%)	31.3%	34.6%	(336.8)	29.4%	186.0	32.9%	28.6%	431.4
Operational Parameters								
Particulars	Q410	Q310	Q-Q(bps)	Q409	Y-Y(bps)	FY10	FY09	Y-Y(bps)
Staff Expense	56.3%	44.1%	1,223.6	38.5%	1,784.8	42.2%	40.7%	150.2
Administrative Expense	8.2%	8.1%	15.0	5.2%	306.1	7.7%	6.9%	80.1
Other Expenditure	17.7%	14.5%	316.4	11.3%	644.2	12.7%	18.1%	(543.1)
Effective Tax Rate	29.9%	28.9%	97.4	32.9%	(304.2)	32.5%	31.0%	148.1

Quarterly Consolidated Segmental Analysis

Segment Revenues	Mar 10	Dec 09	Q-Q(%)	Mar 09	Y-Y(%)	FY10	FY09	Y-Y(%)
Rating Services Fees	331.3	273.8	21.0%	288.9	14.7%	1,061.5	885.2	19.9%
Consulting Fees	78.0	61.5	26.8%	47.9	62.9%	216.5	188.7	14.7%
Information Services Fees	14.7	9.7	51.5%	13.0	12.8%	40.8	30.6	33.1%
Outsourced Services Fees	49.1	24.3	102.1%	27.2	80.3%	126.3	87.3	44.7%
Professional Services Fees	33.9	51.6	-34.3%	56.2	-39.7%	178.2	166.4	7.1%
Total	507.0	421.0	20.4%	433.3	17.0%	1,623.2	1,358.2	19.5%

Segment Revenue Mix	Mar 10	Dec 09	Q-Q(bps)	Mar 09	Y-Y(bps)	FY10	FY09	Y-Y(bps)
Rating Services Fees	65.3%	65.0%	29.2	66.7%	(133.0)	65.4%	65.2%	22.2
Consulting Fees	15.4%	14.6%	76.8	11.1%	433.2	13.3%	13.9%	(55.6)
Information Services Fees	2.9%	2.3%	59.4	3.0%	(10.7)	2.5%	2.3%	25.7
Outsourced Services Fees	9.7%	5.8%	391.4	6.3%	339.8	7.8%	6.4%	135.3
Professional Services Fees	6.7%	12.3%	(556.8)	13.0%	(629.2)	11.0%	12.3%	(127.6)
Total	100.0%	100.0%	0.0	100.0%	0.0	100.0%	100.0%	(0.0)

Segment Profits	Mar 10	Dec 09	Q-Q(%)	Mar 09	Y-Y(%)	FY10	FY09	Y-Y(%)
Rating Services Fees	213.7	158.8	34.5%	201.3	6.2%	636.3	585.4	8.7%
Consulting Fees	17.3	17.2	-200.4%	(8.0)	-	21.0	4.5	364.2%
Information Services Fees	3.2	7.0	-145.5%	4.2	-24.3%	5.1	0.6	715.0%
Outsourced Services Fees	15.5	10.9	42.8%	11.1	39.6%	43.9	32.1	36.7%
Professional Services Fees	(14.5)	0.1	-	0.9	-	(19.2)	(2.0)	-
Total	235.2	194.0	21.2%	209.5	12.3%	687.1	620.7	10.7%

Segment Profit Mix	Mar 10	Dec 09	Q-Q(bps)	Mar 09	Y-Y(bps)	FY10	FY09	Y-Y(bps)
Rating Services Fees	90.8%	81.9%	897.9	96.1%	(521.7)	92.6%	94.3%	(170.4)
Consulting Fees	7.4%	8.9%	(152.8)	-3.8%	-	3.0%	0.7%	232.3
Information Services Fees	1.4%	3.6%	(225.4)	2.0%	(65.3)	0.7%	0.1%	-
Outsourced Services Fees	6.6%	5.6%	99.3	5.3%	128.9	6.4%	5.2%	121.4
Professional Services Fees	-6.2%	0.0%	-	0.4%	(659.9)	-2.8%	-0.3%	-
Total	100.0%	100.0%	0.0	100.0%	0.0	100.0%	100.0%	0.0

Segment Margins	Mar 10	Dec 09	Q-Q(bps)	Mar 09	Y-Y(bps)	FY10	FY09	Y-Y(bps)
Rating Services Fees	64.5%	58.0%	649.9	69.7%	(518.1)	59.9%	66.1%	(619.0)
Consulting Fees	22.2%	28.0%	(582.8)	-16.7%	-	9.7%	2.4%	728.7
Information Services Fees	21.6%	72.1%	(5,049.9)	32.3%	(1,061.4)	12.5%	2.0%	1,044.8
Outsourced Services Fees	31.6%	44.7%	(1,312.8)	40.8%	(920.5)	34.7%	36.8%	(203.6)
Professional Services Fees	-42.7%	0.1%	(4,281.3)	1.7%	(4,433.6)	-10.8%	-1.2%	-
Total	46.4%	46.1%	30.6	48.4%	(196.9)	42.3%	45.7%	(337.1)

Consolidated Financials

Earnings Statement				
Particulars (Rs. Mn.)	FY08	FY09	FY10A	FY11E
Total Revenues	994.5	1,358.2	1,623.2	1,907.3
- Growth (%)	40.9%	36.6%	19.5%	17.5%
Total Expenditure	631.1	892.4	1,015.8	1,192.1
Operating Profit	363.4	465.8	607.4	715.2
- Growth (%)	50.8%	28.2%	30.4%	17.8%
Other Income	78.8	140.0	226.7	260.7
EBITDA	442.2	605.7	834.1	975.9
- Growth (%)	46.9%	37.0%	8.3%	17.0%
Depreciation	38.0	36.5	792.7	931.0
EBIT	404.2	569.3	792.7	931.0
Interest	0.0	0.2	0.0	0.0
PBT	404.1	569.1	792.6	931.0
Tax	119.0	176.7	534.8	633.0
PAT Before MI	285.1	392.4	534.8	633.0
Minority Interest	0.0	0.0	0.0	0.0
PAT Before EI	285.1	392.4	534.7	633.0
- Growth (%)	42.6%	37.6%	36.3%	18.4%
Extraordinary Items	(0.3)	(3.5)	0.0	0.0
Reported PAT	284.8	388.9	534.7	633.0

Balance Sheet				
Particulars (Rs. Mn.)	FY08	FY09	FY10A	FY11E
Equity Capital	100.0	100.0	100.0	100.0
Reserves	1,538.6	1,787.1	2,117.2	2,551.3
Shareholders Funds	1,638.6	1,887.1	2,217.2	2,651.3
Minority Interest	0.0	0.0	0.1	0.1
Borrowed Funds	0.0	0.0	0.0	0.0
Deferred Tax Liability	2.8	(29.7)	(9.6)	(9.6)
Total Liabilities	1,641.3	1,857.4	2,207.7	2,641.9
Fixed Assets	237.2	241.0	241.6	226.5
Goodwill On Consolidation	51.5	71.0	95.7	95.7
Investments	901.9	299.2	746.0	846.0
Current Assets				
Sundry Debtors	217.4	281.6	366.1	487.4
Loans & Advances	494.8	579.5	598.6	911.3
Cash & Bank Balance	255.4	1,126.3	1,164.9	1,217.1
Other Current Assets	5.5	31.1	24.2	24.2
Current Liabilities				
Liabilities	239.4	367.5	537.8	609.3
Provisions	282.9	404.9	491.7	557.1
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	FY10A	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)	34.1	25.0	18.2	15.4
P/BV (x)	5.9	5.1	3.7	3.7
BVPS (Rs.)	163.9	188.7	265.1	265.1
Market Cap (Rs. Mn.)	4,385.5	8,281.0	9,717.0	9,717.0
M Cap/Sales (x)	4.4	6.1	6.0	5.1
EV (Rs. Mn.)	4,130.1	7,154.7	8,499.9	8,499.9
EV/EBITDA (x)	9.3	11.8	10.2	8.7
EV/Sales (x)	4.2	5.3	5.2	4.5
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 (%)	1.1%	1.2%	1.7%	1.7%

Cash Flow				
Particulars (Rs. Mn.)	FY08	FY09	FY10A	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

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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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