

ICRA Limited

CMP Rs. 878.0
ACCUMULATE

Result Update
Q1FY10

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ICRA Limited has delivered excellent set of numbers for the quarter-ended Q1FY10. On Y-Y basis there is a robust 30.5% top line growth from Rs. 254Mn in Q109 to Rs. 332Mn in Q110. Earnings have also risen by a substantial 72% to Rs. 123.6Mn for Jun'09 from Rs. 71.8Mn for Jun'08.

For Q110, OPM decreased by 323 bps to 27% v/s 30% for the quarter ended Q109, though margins at the EBITDA and PAT levels have increased considerably to 60% and 37% for Q110 as compared to 44% and 28% for Q109 respectively.

Staff cost as proportion to sales for Jun'09 was substantially lower by 1082 bps at 37% as compared to 48% for the quarter ended Jun'08. Administrative expenses and other expenses as proportion to sales was also lower by 177 bps to 8.3% and 126 bps to 10% respectively.

On the segmental front, ICRA's rating business for Q110 stood at Rs. 209Mn as against Rs. 163Mn for Q109, showing a growth of 28%. IT Services and Outsourced Services business have also seen high Y-Y growths, increasing by 43% and 69% respectively as against the corresponding quarter of last year.

During the period under review, Current Investments have been marked to market as on June 30, 2009 and a reversal of Rs. 66.3Mn has been made to reflect the diminution in the carrying value of the investments. This has been credited to the P&L account and is not on a recurring basis.

At CMP of Rs. 878/- the stock is trading at 17.5x FY10E earnings of Rs. 50/-. Upon factoring the Q110 reported performance, we have increased our EPS estimate for the current fiscal from Rs. 44/- to Rs. 50/-. We recommend to ACCUMULATE at lower levels.

Q1FY10 Quarterly Financials

Earnings Statement								
YE March (Rs. Mn.)	Q110	Q409	Q-Q(%)	Q109	Y-Y(%)	FY09	FY08	Y-Y(%)
Net Revenues	331.8	433.3	-23.4%	254.2	30.5%	1,358.2	994.5	36.6%
Total Expenditure	241.8	237.9	1.6%	177.1	36.5%	892.4	631.1	41.4%
Operating Profit	90.0	195.4	-53.9%	77.2	16.6%	465.8	363.4	28.2%
Other Income	108.4	1.7	6204.0%	34.3	216.5%	140.0	78.8	77.7%
EBITDA	198.4	197.1	0.7%	111.4	78.1%	605.7	442.2	37.0%
Depreciation	9.0	7.2	24.3%	9.3	-3.9%	36.5	38.0	-4.1%
EBIT	189.5	189.9	-0.2%	102.1	85.6%	569.3	404.2	40.8%
Interest	0.0	0.0	0.0%	0.1	0.0%	0.2	0.0	0.0%
PBT	189.5	189.9	-0.2%	102.1	85.7%	569.1	404.1	40.8%
Tax	65.8	62.5	5.4%	30.3	117.2%	176.7	119.0	48.4%
PAT before EOI	123.6	127.4	-2.9%	71.8	72.3%	392.4	285.1	37.6%
Extraordinary Items	0.0	0.0	-	0.0	-	(3.5)	(0.3)	-
Reported PAT	123.6	127.4	-2.9%	71.8	72.3%	388.9	284.8	36.6%
Equity Capital	100.0	100.0	0.0%	100.0	0.0%	100.0	100.0	0.0%
EPS	12.4	12.7	-2.9%	7.2	72.3%	38.9	28.5	36.6%
Ratio Analysis								
Profitability	Q110	Q409	Q-Q(bps)	Q109	Y-Y(bps)	FY09	FY08	Y-Y(bps)
OPM (%)	27.1%	45.1%	(1,796.1)	30.4%	(322.7)	34.3%	36.5%	(225.0)
EBITDA (%)	59.8%	45.5%	1,432.5	43.8%	1,598.3	44.6%	44.5%	13.5
EBIT (%)	57.1%	43.8%	1,328.9	40.2%	1,695.1	41.9%	40.6%	127.4
PAT (%)	37.3%	29.4%	786.7	28.2%	904.8	28.6%	28.6%	(0.3)

ICRA : Quarterly Segmental Analysis

Segment Revenues	Jun 09	Mar 09	Q-Q(%)	Jun 08	Y-Y(%)	FY09	FY08	Y-Y(%)
Rating Services Fees	209.1	288.9	-27.6%	163.2	28.1%	885.2	602.6	46.9%
Consulting Fees	39.6	47.9	-17.4%	35.0	13.1%	188.7	180.5	4.5%
Information Services Fees	6.5	13.0	-50.5%	5.4	20.2%	30.6	27.3	12.1%
Outsourced Services Fees	27.3	27.2	0.2%	16.2	68.8%	87.3	58.5	49.3%
Professional Services Fees	49.4	56.2	-12.2%	34.5	43.0%	166.4	125.6	32.5%
Total	331.8	433.3	-23.4%	254.2	30.5%	1,358.2	994.5	36.6%

Segment Revenue Mix	Jun 09	Mar 09	Q-Q(bps)	Jun 08	Y-Y(bps)	FY09	FY08	Y-Y(bps)
Rating Services Fees	63.0%	66.7%	(364.8)	64.2%	(117.0)	65.2%	60.6%	457.8
Consulting Fees	11.9%	11.1%	87.1	13.8%	(183.4)	13.9%	18.2%	(426.0)
Information Services Fees	1.9%	3.0%	(106.1)	2.1%	(16.6)	2.3%	2.7%	(49.2)
Outsourced Services Fees	8.2%	6.3%	194.0	6.4%	186.7	6.4%	5.9%	54.9
Professional Services Fees	14.9%	13.0%	189.9	13.6%	130.2	12.3%	12.6%	(37.6)
Total	100.0%	100.0%	0.0	100.0%	0.0	100.0%	100.0%	0.0

Segment Profits	Jun 09	Mar 09	Q-Q(%)	Jun 08	Y-Y(%)	FY09	FY08	Y-Y(%)
Rating Services Fees	114.8	201.3	-43.0%	98.5	16.6%	585.4	386.4	51.5%
Consulting Fees	(7.7)	(8.0)	-3.2%	(2.9)	166.2%	4.5	20.2	-77.6%
Information Services Fees	(3.6)	4.2	-185.5%	(4.3)	-16.5%	0.6	(2.2)	-128.3%
Outsourced Services Fees	11.6	11.1	4.5%	3.9	200.0%	32.1	11.0	191.9%
Professional Services Fees	(6.7)	0.9	-812.2%	0.5	-1450.8%	(2.0)	7.6	-126.2%
Total	108.4	209.5	-48.3%	95.6	13.3%	620.7	422.9	46.8%

Segment Profit Mix	Jun 09	Mar 09	Q-Q(bps)	Jun 08	Y-Y(bps)	FY09	FY08	Y-Y(bps)
Rating Services Fees	105.9%	96.1%	983.7	103.0%	292.7	94.3%	91.4%	295.4
Consulting Fees	-7.1%	-3.8%	(332.4)	-3.0%	(410.1)	0.7%	4.8%	(403.8)
Information Services Fees	-3.3%	2.0%	(531.7)	-4.5%	118.3	0.1%	-0.5%	62.3
Outsourced Services Fees	10.7%	5.3%	540.7	4.0%	666.3	5.2%	2.6%	257.2
Professional Services Fees	-6.2%	0.4%	(660.3)	0.5%	(667.2)	-0.3%	1.8%	(211.1)
Total	100.0%	100.0%	(0.0)	100.0%	0.0	100.0%	100.0%	(0.0)

Segment Margins	Jun 09	Mar 09	Q-Q(bps)	Jun 08	Y-Y(bps)	FY09	FY08	Y-Y(bps)
Rating Services Fees	54.9%	69.7%	(1,477.6)	60.3%	(544.0)	66.1%	64.1%	202.4
Consulting Fees	-19.6%	-16.7%	(286.6)	-8.3%	(1,125.5)	2.4%	11.2%	(876.9)
Information Services Fees	-55.7%	32.3%	(8,793.2)	-80.2%	2,449.0	2.0%	-8.1%	1,012.3
Outsourced Services Fees	42.5%	40.8%	175.3	23.9%	1,859.7	36.8%	18.8%	1,796.6
Professional Services Fees	-13.5%	1.7%	(1,518.4)	1.4%	(1,494.9)	-1.2%	6.0%	(722.3)
Total	32.7%	48.4%	(1,568.6)	37.6%	(494.4)	45.7%	42.5%	317.9

ICRA : Financials

Earnings Statement				
Particulars (Rs. Mn.)	FY07	FY08	FY09	FY10E
Total Revenues	706.1	994.5	1,358.2	1,629.8
- Growth (%)	30.0%	40.9%	36.6%	20.0%
Total Expenditure	465.0	631.1	892.4	1,002.3
Operating Profit	241.0	363.4	465.8	627.5
- Growth (%)	39.2%	50.8%	28.2%	34.7%
Other Income	60.0	78.8	140.0	141.4
EBITDA	301.1	442.2	605.7	768.9
- Growth (%)	34.9%	46.9%	37.0%	26.9%
Depreciation	28.9	38.0	36.5	42.3
EBIT	272.2	404.2	569.3	726.5
Interest	0.5	0.0	0.2	0.2
PBT	271.7	404.1	569.1	726.3
Tax	71.8	119.0	176.7	225.2
PAT Before MI	199.9	285.1	392.4	501.1
Minority Interest	0.0	0.0	0.0	0.0
PAT Before EI	199.9	285.1	392.4	501.1
- Growth (%)	40.5%	42.6%	37.6%	27.7%
Extraordinary Items	(0.1)	(0.3)	(3.5)	0.0
Reported PAT	199.9	284.8	388.9	501.1

Balance Sheet				
Particulars (Rs. Mn.)	FY07	FY08	FY09	FY10E
Equity Capital	100.0	100.0	100.0	100.0
Reserves	1,373.9	1,538.6	1,787.1	2,124.4
Shareholders Funds	1,473.9	1,638.6	1,887.1	2,224.4
Minority Interest	0.0	0.0	0.0	0.0
Borrowed Funds	0.3	0.0	0.0	0.0
Deferred Tax Liability	7.4	2.8	(29.7)	(66.0)
Total Liabilities	1,481.6	1,641.3	1,857.4	2,158.4
Fixed Assets	229.1	237.2	241.0	236.4
Goodwill On Consolidation	51.5	51.5	71.0	71.0
Investments	685.7	901.9	299.2	449.2
Current Assets				
Inventory	0.0	0.0	0.0	0.0
Sundry Debtors	195.6	217.4	281.6	362.2
Loans & Advances	415.9	494.8	579.5	679.1
Cash & Bank Balance	28,352.0	255.4	1,126.3	1,302.0
Other Current Assets	2.6	5.5	31.1	10.0
Current Liabilities				
Liabilities	28,304.2	239.4	367.5	452.7
Provisions	146.9	282.9	404.9	498.7
Net Current Assets	515.1	450.8	1,246.2	1,401.8
Miscellaneous Exp W/Off	0.2	0.0	0.0	0.0
Total Assets	1,481.6	1,641.3	1,857.4	2,158.4

Ratio Analysis				
Particulars	FY07	FY08	FY09	FY10E
OPM (%)	34.1%	36.5%	34.3%	38.5%
EBITDA (%)	42.6%	44.5%	44.6%	47.2%
PAT (%)	28.3%	28.7%	28.9%	30.7%
Interest Cover (x)	570.6	44,906.4	3,348.6	3,561.4
EPS (Rs.)	20.0	28.5	38.9	50.1
P/E (x)	43.9	30.8	22.6	17.5
P/BV (x)	6.0	5.4	4.7	3.9
BVPS (Rs.)	147.4	163.9	188.7	222.4
Market Cap (Rs. Mn.)	8,781.5	8,781.5	8,781.5	8,781.5
M Cap/Sales (x)	12.4	8.8	6.5	5.4
EV (Rs. Mn.)	(19,570.2)	8,526.1	7,655.2	7,479.5
EV/EBITDA (x)	(65.0)	19.3	12.6	9.7
EV/Sales (x)	(27.7)	8.6	5.6	4.6
ROCE (%)	18.4%	24.6%	30.6%	33.7%
RONW (%)	13.6%	17.4%	20.8%	22.5%
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	99.7	78.7	74.7	80.0
Advances T/o Days	212.1	179.1	153.6	150.0
Creditors T/o Days	14,431.2	86.7	97.4	100.0
WCap T/o Days (Ex.Cash)	14,193.0	70.7	31.8	22.0
Fixed Assets T/o (Gross)	1.9	2.5	3.2	3.5
DPS (Rs.)	4.5	10.3	12.0	14.0
Dividend Payout (%)	22.5%	36.0%	30.9%	27.9%
Dividend Yield (%)	0.5%	1.2%	1.4%	1.6%

Cash Flow				
Particulars (Rs. Mn.)	FY07	FY08	FY09E	FY10E
Opening Cash & Bank	63.3	28,352.0	255.4	1,126.3
Profit After Tax	199.9	284.8	388.9	501.1
Investment Income	(60.0)	(78.8)	(140.0)	(141.4)
Interest Paid	0.5	0.0	0.2	0.2
Miscellaneous Exp W/Off	3.4	0.2	0.0	0.0
Depreciation	28.9	38.0	36.5	42.3
Deferred Taxation	1.0	(4.7)	(32.6)	(36.3)
Others	(24.2)	(7.2)	(8.2)	0.0
Change in Working Cap	27,873.5	(28,032.4)	75.6	20.0
CF - Operating Activities	28,022.9	(27,800.0)	320.3	386.0
Change in Fixed Assets	(35.0)	(39.0)	(32.0)	(37.7)
Change in Goodwill	(0.1)	0.0	(19.5)	0.0
Change in Investments	(96.1)	(216.1)	602.6	(150.0)
Investment Income	60.0	78.8	140.0	141.4
CF - Investing Activities	(71.2)	(176.3)	691.1	(46.3)
Increase in Equity	390.4	(0.0)	0.4	0.0
Changes in Borrowings	(0.3)	(0.3)	0.0	0.0
Interest Paid	(0.5)	(0.0)	(0.2)	(0.2)
Dividend Paid	(52.6)	(120.1)	(140.7)	(163.8)
CF - Financing Activities	337.0	(120.4)	(140.4)	(164.0)
Net Change in Cash	28,288.7	(28,096.7)	870.9	175.7
Closing Cash & Bank Bal	28,352.0	255.4	1,126.3	1,302.0

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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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