

ICRA Limited

CMP Rs. 621.0
BUY

Result Update
Q4FY09

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ICRA Limited has delivered better than expected results for the quarter and year ended FY09. The quarterly results show a sequential growth of 32% in topline & 40% in PAT. On Y-Y basis there is a phenomenal 50% topline growth & a 39% earnings growth and for the year ended Mar'09, the company's topline and PAT both increased by 36%.

For Q409, OPM expanded by 473 bps to 45%. Sharp expansion in operating margin is largely on account of all round cost cut. The staff cost as proportion to sales was lower by 148 bps to 38.5%, that of administrative expenses was lower by 91 bps to 5.2% and other expenses by 234 bps to 11.3%. Expansion in margins together with higher sales facilitated a 68% jump in operating profits at Rs. 195.4Mn v/s Rs. 116.5Mn for Q408.

On the segmental front, the ratings business for FY09 stood at Rs. 885.2Mn as against Rs. 602.6Mn for FY08, showing a substantial growth of 47%. The growth in Rating Services Income during fiscal 2008-09 is attributable mainly to the increase in income from Corporate Sector Ratings. Basel II related rating contributed significantly to the growth in corporate ratings business.

During the period under review, Current Investments have been marked to market as on March 31, 2009 and a provision of Rs. 33.43Mn has been made to reflect the diminution in the value of the investments. This has been charged to the P&L account and is not on a recurring basis.

At CMP of Rs. 621/- the stock is trading at 14.1x FY10E earnings of Rs. 44/-. Upon factoring the FY09 reported performance, we have increased our EPS estimate for the current fiscal from Rs. 38/- to Rs. 44/-. We recommend BUY.

Q4/FY09 Quarterly Financials

Earnings Statement								
YE March (Rs. Mn.)	Q409	Q309	Q-Q(%)	Q408	Y-Y(%)	FY09	FY08	Y-Y(%)
Net Revenues	433.3	327.3	32.35%	288.7	50.06%	1,358.2	995.8	36.39%
Total Expenditure	237.9	194.6	22.27%	172.2	38.16%	801.6	631.1	27.01%
Operating Profit	195.4	132.8	47.12%	116.5	67.65%	556.6	364.8	52.61%
Other Income	1.7	1.3	28.26%	25.2	-93.17%	48.1	77.4	-37.85%
EBITDA	197.1	134.1	46.93%	141.7	39.09%	604.8	442.2	36.77%
Depreciation	7.2	10.5	-31.34%	10.9	-33.94%	36.5	38.0	-4.10%
EBIT	189.9	123.6	53.57%	130.8	45.17%	568.3	404.2	40.61%
Interest	0.0	0.0	0.00%	0.0	0.00%	0.2	0.0	0.00%
PBT	189.9	123.6	53.57%	130.8	45.15%	568.1	404.2	40.57%
Tax	62.5	32.8	90.51%	39.0	60.10%	179.2	119.0	50.53%
PAT	127.4	90.8	40.24%	91.8	38.80%	388.9	285.1	36.41%
Equity Capital	100.0	100.0	0.00%	100.0	0.00%	100.0	100.0	0.00%
EPS	12.74	9.08	40.24%	9.18	38.80%	38.89	28.51	36.41%
Ratio Analysis								
Profitability								
YE March (Rs. Mn.)	Q409	Q309	Q-Q(bps)	Q408	Y-Y(bps)	FY09	FY08	Y-Y(bps)
OPM (%)	45.09%	40.57%	452.7	40.36%	473.1	40.98%	36.63%	435.7
EBITDA (%)	45.49%	40.98%	451.4	49.08%	(358.9)	44.53%	44.40%	12.4
EBIT (%)	43.83%	37.77%	605.6	45.30%	(147.6)	41.84%	40.58%	125.7
PAT (%)	29.40%	27.75%	165.2	31.79%	(238.5)	28.64%	28.63%	0.6

ICRA : Quarterly Segmental Analysis

Segment Revenues	Mar 09	Dec 08	Q-Q(%)	Mar 08	Y-Y(%)	FY09	FY08	Y-Y(%)
Rating Services Fees	288.9	210.6	37.15%	173.3	66.71%	885.2	602.6	46.89%
Consulting Fees	47.9	49.6	-3.50%	58.5	-18.07%	188.7	181.9	3.76%
Information Services Fees	13.0	3.9	230.88%	8.8	48.80%	30.6	27.3	12.13%
Outsourced Services Fees	27.2	24.8	9.85%	13.9	96.57%	87.3	58.4	49.34%
Professional Services Fees	56.2	38.4	46.59%	34.4	63.58%	166.4	125.6	32.50%
Total	433.3	327.3	32.35%	288.7	50.06%	1,358.2	995.8	36.39%
Segment Revenue Mix								
Segment Revenue Mix	Mar 09	Dec 08	Q-Q(bps)	Mar 08	Y-Y(bps)	FY09	FY08	Y-Y(bps)
Rating Services Fees	66.7%	64.3%	233.2	60.0%	665.9	65.2%	60.5%	465.9
Consulting Fees	11.1%	15.2%	(410.7)	20.2%	(919.4)	13.9%	18.3%	(436.9)
Information Services Fees	3.0%	1.2%	180.3	3.0%	(2.5)	2.3%	2.7%	(48.8)
Outsourced Services Fees	6.3%	7.6%	(128.8)	4.8%	148.8	6.4%	5.9%	55.7
Professional Services Fees	13.0%	11.7%	126.1	11.9%	107.3	12.3%	12.6%	(35.9)
Total	100.0%	100.0%	0.0	100.0%	0.0	100.0%	100.0%	(0.0)
Segment Profits								
Segment Profits	Mar 09	Dec 08	Q-Q(%)	Mar 08	Y-Y(%)	FY09	FY08	Y-Y(%)
Rating Services Fees	201.3	133.5	50.76%	113.7	76.98%	585.4	386.4	51.52%
Consulting Fees	(8.0)	4.6	-273.48%	11.3	-170.74%	4.5	21.5	-78.98%
Information Services Fees	4.2	3.3	27.16%	0.0	-	0.6	(2.2)	-128.23%
Outsourced Services Fees	11.1	10.8	2.74%	1.8	520.61%	32.1	11.0	191.90%
Professional Services Fees	0.9	(4.9)	-119.25%	2.0	-53.84%	(2.0)	7.6	-126.13%
Total	209.5	147.4	42.18%	128.9	62.56%	620.7	424.2	46.32%
Segment Profit Mix								
Segment Profit Mix	Mar 09	Dec 08	Q-Q(bps)	Mar 08	Y-Y(bps)	FY09	FY08	Y-Y(bps)
Rating Services Fees	96.1%	90.6%	547.0	88.2%	782.7	94.3%	91.1%	324.0
Consulting Fees	-3.8%	3.1%	(694.8)	8.8%	(1,259.4)	0.7%	5.1%	(433.5)
Information Services Fees	2.0%	2.2%	(23.7)	0.0%	198.1	0.1%	-0.5%	62.3
Outsourced Services Fees	5.3%	7.3%	(203.5)	1.4%	391.3	5.2%	2.6%	258.0
Professional Services Fees	0.4%	-3.3%	375.0	1.6%	(112.8)	-0.3%	1.8%	(210.7)
Total	100.0%	100.0%	0.0	100.0%	0.0	100.0%	100.0%	0.0
Segment Margins								
Segment Margins	Mar 09	Dec 08	Q-Q(bps)	Mar 08	Y-Y(bps)	FY09	FY08	Y-Y(bps)
Rating Services Fees	69.7%	63.4%	629.0	65.6%	404.5	66.1%	64.1%	202.4
Consulting Fees	-16.7%	9.3%	(2,599.8)	19.3%	(3,605.2)	2.4%	11.8%	(941.5)
Information Services Fees	32.3%	83.9%	(5,168.1)	0.3%	3,191.5	2.0%	-8.1%	1,014.1
Outsourced Services Fees	40.8%	43.6%	(282.1)	12.9%	2,786.1	36.8%	18.8%	1,796.5
Professional Services Fees	1.7%	-12.7%	1,435.2	5.9%	(423.8)	-1.2%	6.0%	(722.9)
Total	48.4%	45.0%	334.1	44.6%	371.9	45.7%	42.6%	310.2

ICRA : Financials

Earnings Statement					Balance Sheet				
Particulars (Rs. Mn.)	FY07	FY08	FY09	FY10E	Particulars (Rs. Mn.)	FY07	FY08	FY09E	FY10E
Total Revenues	706.1	994.5	1,358.2	1,629.8	Equity Capital	100.0	100.0	100.0	100.0
- Growth (%)	30.0%	40.9%	36.6%	20.0%	Reserves	1,373.9	1,538.6	1,787.1	2,063.2
Total Expenditure	465.0	631.1	801.6	975.1	Shareholders Funds	1,473.9	1,638.6	1,887.1	2,163.2
Operating Profit	241.0	363.4	556.6	654.7	Minority Interest	0.0	0.0	0.0	0.0
- Growth (%)	39.2%	50.8%	53.2%	17.6%	Borrowed Funds	0.3	0.0	0.0	0.0
Other Income	60.0	78.8	48.1	55.3	Deferred Tax Liability	7.4	2.8	2.8	2.8
EBITDA	301.1	442.2	604.8	710.1	Total Liabilities	1,481.6	1,641.3	1,889.9	2,166.0
- Growth (%)	34.9%	46.9%	36.8%	17.4%	Fixed Assets	229.1	237.2	250.1	256.3
Depreciation	28.9	38.0	36.5	43.8	Goodwill On Consolidation	51.5	51.5	51.5	51.5
EBIT	272.2	404.2	568.3	666.3	Investments	685.7	901.9	901.9	1,051.9
Interest	0.5	0.0	0.2	0.2	Current Assets				
PBT	271.7	404.1	568.1	666.1	Inventory	0.0	0.0	0.0	0.0
Tax	71.8	119.0	179.2	226.5	Sundry Debtors	195.6	217.4	339.5	430.1
PAT Before MI	199.9	285.1	388.9	439.6	Loans & Advances	415.9	494.8	490.5	588.6
Minority Interest	0.0	0.0	0.0	0.0	Cash & Bank Balance	28,352.0	255.4	262.9	276.5
PAT Before EI	199.9	285.1	388.9	439.6	Other Current Assets	2.6	5.5	5.0	5.0
- Growth (%)	40.5%	42.6%	36.4%	13.0%	Current Liabilities				
Extraordinary Items	(0.1)	(0.3)	0.0	0.0	Liabilities	28,304.2	239.4	188.6	226.4
Reported PAT	199.9	284.8	388.9	439.6	Provisions	146.9	282.9	222.9	267.5
					Net Current Assets	515.1	450.8	686.4	806.3
					Miscellaneous Exp W/Off	0.2	0.0	0.0	0.0
					Total Assets	1,481.6	1,641.3	1,889.9	2,166.0
Ratio Analysis					Cash Flow				
Particulars	FY07	FY08	FY09	FY10E	Particulars (Rs. Mn.)	FY07	FY08	FY09E	FY10E
OPM (%)	34.1%	37%	41%	40%	Opening Cash & Bank	63.3	28,352.0	255.4	262.9
EBITDA (%)	42.6%	44%	45%	44%	Profit After Tax	199.9	284.8	388.9	439.6
PAT (%)	28.3%	29%	29%	27%	Invt Income	(60.0)	(78.8)	(48.1)	(55.3)
Interest Cover (x)	570.6	44,906.4	3,342.9	3,266.1	Interest Paid	0.5	0.0	0.2	0.2
EPS (Rs.)	20.0	28.5	38.9	44.0	Miscellaneous Exp W/Off	3.4	0.2	0.0	0.0
P/E (x)	31.1	21.8	16.0	14.1	Depreciation	28.9	38.0	36.5	43.8
P/BV (x)	4.2	3.8	3.3	2.9	Deferred Taxation	1.0	(4.7)	0.0	0.0
BVPS (Rs.)	147.4	163.9	188.7	216.3	Others	(24.2)	(7.2)	0.0	0.0
Market Cap (Rs. Mn.)	6,214.5	6,214.5	6,214.5	6,214.5	Change in Working Cap	27,873.5	(28,032.4)	(228.1)	(106.3)
M Cap/Sales (x)	8.8	6.2	4.6	3.8	CF - Operating Activities	28,022.9	(27,800.0)	149.4	321.9
EV (Rs. Mn.)	(22,137.2)	5,959.1	5,951.6	5,938.0	Change in Fixed Assets	(35.0)	(39.0)	(49.4)	(50.0)
EV/EBITDA (x)	(73.5)	13.5	9.8	8.4	Change in Goodwill	(0.1)	0.0	0.0	0.0
EV/Sales (x)	(31.4)	6.0	4.4	3.6	Change in Investments	(96.1)	(216.1)	0.0	(150.0)
ROCE (%)	18.4%	24.6%	30.1%	30.8%	Investment Income	60.0	78.8	48.1	55.3
RONW (%)	13.6%	17.4%	20.6%	20.3%	CF - Investing Activities	(71.2)	(176.3)	(1.3)	(144.7)
Debt/Equity Ratio (x)	0.0	0.0	0.0	0.0	Increase in Equity	390.4	(0.0)	0.0	0.0
Inventory T/o Days	0.0	0.0	0.0	0.0	Changes in Borrowings	(0.3)	(0.3)	0.0	0.0
Debtors T/o Days	99.7	78.7	90.0	95.0	Interest Paid	(0.5)	(0.0)	(0.2)	(0.2)
Advances T/o Days	212.1	179.1	130.0	130.0	Dividend Paid	(52.6)	(120.1)	(140.4)	(163.5)
Creditors T/o Days	14,431.2	86.7	50.0	50.0	CF - Financing Activities	337.0	(120.4)	(140.6)	(163.7)
WC T/o Days (Ex.Cash) (14,193.0)	70.7	112.2	117.0		Net Change in Cash	28,288.7	(28,096.7)	7.6	13.6
Fixed Assets T/o (Gross)	1.9	2.5	3.0	3.3	Closing Cash & Bank Bal	28,352.0	255.4	262.9	276.5
DPS (Rs.)	4.5	10.3	12.0	14.0					
Dividend Payout (%)	22.5%	36.0%	30.9%	31.8%					
Dividend Yield (%)	0.7%	1.7%	1.9%	2.2%					

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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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