



“ICRA Limited 30th Annual General Meeting Conference Call”

July 29, 2021



MANAGEMENT: **MR. ARUN DUGGAL – CHAIRMAN, ICRA LIMITED**
MS. RANJANA AGARWAL – CHAIRPERSON OF THE
AUDIT COMMITTEE & CORPORATE SOCIAL
RESPONSIBILITY COMMITTEE.
MS. RADHIKA VIJAY HARIBHAKTI – CHAIRPERSON OF
NOMINATIONS & REMUNERATION COMMITTEE.
DR. MIN YE – DIRECTOR.
MR. DAVID BRENT PLATT – CHAIRMAN RISK
MANAGEMENT COMMITTEE.
MR. MICHAEL FOLEY – CHAIRMAN STAKEHOLDERS
RELATIONSHIP COMMITTEE & RATINGS SUB-
COMMITTEE.
MS. WENDY HUAY HUAY CHEONG – CHAIRPERSON
STRATEGY COMMITTEE.
MR. N. SIVARAMAN – MANAGING DIRECTOR & GROUP
CEO.
MR. VIPUL AGARWAL – GROUP CHIEF FINANCIAL
OFFICER.
MR. AMIT KUMAR GUPTA – GENERAL COUNSEL.
MR. S. SHAKEB RAHMAN – COMPANY SECRETARY

Moderator: Good afternoon and warm welcome to you all, to the 30th Annual General Meeting of ICRA Limited through video conference or other audio-visual facility. As a reminder, for the smooth conduct of the meeting, the members will be in mute mode, and audio and video will be opened when they will speak at the AGM as per the pre-registration.

Please note that, as per the requirements, the transcript of the Annual General Meeting will be available on the website of the Company. And I will hand over the proceedings to Mr. Arun Duggal, Chairman of ICRA Limited. Thank you and over to you, sir.

Arun Duggal: Thank you, ma'am. Good afternoon, ladies and gentlemen. I have great pleasure in welcoming you to this 30th Annual General Meeting of your Company. I hope all of you are safe and in good health. In view to continuing COVID-19 pandemic and related restrictions this Annual General Meeting is being held through video conference in accordance with the circular issued by the Ministry of Corporate Affairs and Securities and Exchange Board of India. The live proceedings of this AGM are being webcast on the e-voting website of National Securities Depository Limited, NSDL. Since the requisite quorum is present, let us proceed with the meeting and, I call the meeting to order.

Before taking up the agenda of today's AGM. Allow me to introduce you to my colleagues on the board and executives attending the meeting. We have Ms. Ranjana Agarwal, Chairperson of the Audit Committee and Corporate Social Responsibility Committee joining the video conference from New Delhi. Next Ms. Radhika Vijay Haribhakti – Chairperson of Nomination and Remuneration Committee, joining over VC from Mumbai, Dr. Min Ye – Director joining over VC from Hong Kong, Mr. David Platt – Chairman Risk Management Committee joining over VC from Connecticut, Mr. Platt will be here in a minute. Mr. Michael Foley – Chairman Stakeholders Relationship Committee and Ratings Sub-Committee joining over VC from New Jersey, Ms. Wendy Huay Cheong – Chairperson Strategy Committee joining over VC from Hong Kong, Mr. N. Sivaraman – Managing Director and Group CEO joining over VC from Mumbai. Mr. Amit Kumar Gupta – General Counsel joining over VC from Kanpur, Mr. Rahman, Company Secretary joining over VC from Gurugram. We also have our statutory auditors, BSR & Company joining over VC from Mumbai, Secretarial Auditor – Chandrashekar & Associates over VC from New Delhi and Scrutinizer joining over VC from Noida.

I would now like to inform you about the flow of events at this 30th AGM. I would make a few observations about your Company, of which it has been my privilege to service Chairman. Then, I would take up auditor's report and then I would move all the resolutions as set out in the notice of the 30th AGM and then in accordance with the Companies Act, 2013, I would order electronic voted to be conducted on every item on the agenda.

Again, it's a pleasure and our honor for me to be speaking at this 30th Annual General Meeting of your Company, ICRA. This is my sixth year as Chairman of your Company. Also, this is the second annual general meeting to be held not in a face-to-face event, but rather virtual. This is

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because of the COVID-19 pandemic. I hope you and your families are safe and healthy and request you to take all precautions to give guard against COVID-19 pandemic. Unfortunately, we are not able to meet in person today for the AGM like last year, I'm not speaking to you from our usual venue in New Delhi. My colleagues on the board are also at various locations today, linked virtually but closely. I hope this time next year, we will return to a face-to-face AGM and I look forward to that. At the very outset, let me congratulate you that your Company has completed 30 glorious years. Indeed, over the last three decades, ICRA has driven growth and progress and also maintained its position as a reputable credit rating agency in India. I'm confident that ICRA will scale itself to greater heights in the coming years.

If I look back over the last three decades, one thing is certain, ICRA is fortunate to have enjoyed strong and sustained support from its shareholders, especially Moody's and we hope we will continue to enjoy the support. This has been a result of our steadfast commitment, ensuring highest standards of corporate governance. Board and the management team endeavor to work in the best interest of the Company and its various stakeholders such as you and take all necessary steps to preserve the strong reputation and standing that ICRA enjoys in the market today.

No doubt COVID-19 pandemic is an extraordinary and an unprecedented situation. It's a challenge to all of us, our society and our economy. These are not easy time for any of us. Your Company has proved its strength during this challenging time. Your Company's board has already been working together very successfully for months without ever having met in person. Your Company extended remote work to all employees across all locations. Your Company has demonstrated its ability to provide seamless delivery of high quality and timely service to its clients. Technology has made this possible, your Company has sharpened its focus on technology, and has been pursuing several technology initiatives across various functions with the objective of improving operating efficiencies, enhancing quality of deliverables and improving internal controls to automation.

Now, please allow me to take a look at certain changes on the board in 2020-21. In November 2020, Mr. Thomas John Keller Jr. left the board after having been associated with your Company since 2015. Mr. Keller has been tremendous help to your Company and to the board throughout his tenure. He was a pillar of strength for your Company. I'm very grateful for having worked, having had the opportunity to work with Mr. Keller and on behalf of my colleagues on the board, I thank him for his contributions.

In addition, in November 2020 Ms. Wendy Cheong joined the board as an Additional Director, I extend a warm welcome to Ms. Cheong. I believe that Ms. Cheong's appointment is an excellent decision of ICRA's board and the Company would benefit from her experience and expertise. You will find Ms. Cheong's profile in your Company's annual report.

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In February 2021 a month before the end of the financial year, Mr. Amit Kumar Gupta completed his tenure as a Whole time Director of ICRA. I thank him personally, and on behalf of my colleagues on ICRA board for his contribution as a board member. As you may remember, last year when we met, I had introduce you to ICRA's new CEO, Mr. Sivaraman, who joined ICRA in August 2020, as Managing Director and Group Chief Executive Officer.

Siva, and the ICRA's management team is focused on improving the Company's business performance and we are hopeful that ICRA will emerge stronger in the future. As confirmed by the Company Secretary, the annual report of your Company for the financial year 2020-21, along with notice of this AGM was sent to the shareholders through email.

Now, please allow me to take a look at the business performance of your Company, together with its subsidiaries for the year 2020-21. Your Company along with its subsidiary reported an operating income of 301.1 crore, a de-growth of 6% over the previous financial year. Your Company and its subsidiaries together reported a de-growth in profit after tax of 15%. On standalone basis ICRA's operating income was 181.3 crore lower by 13% over the corresponding period in the previous year. Given the numbers I cited, I certainly think that the year 2020-21 was a very challenging one marked by economic slowdown and challenges due to COVID-19 pandemic.

Looking ahead, ICRA is well placed to benefit from the pickup of economic activities given its economic competitive strength and strategic initiatives. ICRA believes that its competitive strength, particularly the rich database and research support that its products and services draw upon, it's proven ability to make products and services, innovations, and the demonstrated track record of ratings, and it's experienced and strong management team and the pool of high quality, employed talent. I would like to take this opportunity to place on record my sincere thanks to all our shareholders, clients, statutory authorities for their continued support. I would also like to thank my colleagues on the board, the executive management of the Company, and all the employees who across the group can make contribution to ICRA in an outstanding manner. Our employees are at the heart of our success. I sincerely thank you all for attending the meeting, and also for your continued support. As we entered another financial year, we look forward to receiving your continued trust and support.

Now with your permission, I take the notice of the annual general meeting of the Company to have been read. Therefore, I request the Company Secretary of your Company to read the auditor's report. I would like to share that Statutory Auditors BSR & Company, Chartered Accountants and Secretarial Auditors, Chandrasekharan & Associates have expressed unqualified opinion in their respective audit reports for the financial year ended March 31, 2021. With your permission, I now request, Mr. Rahman, the Company Secretary of your Company to read the first and last paragraph of statutory auditor's report. Mr. Rahman.

S. Shakeb Rahman: Thank you sir. So, the members of ICRA Limited report on the audit of standalone financial statements. Opinion, we have audited the standalone financial statements of ICRA Limited the Company which comprise standalone balance sheet as at 31st March 2021 and the standalone statement of profit and loss, including other comprehensive income. The standalone statement of changes in equity and standalone statement of cash flows for the year then ended, and notes to the standalone financial statement, including a summary of significant accounting policies and other explanatory information. Now, I'm reading out the last para of the auditor's report, with respect to the matter to be included in the auditor's report under Section 197, sub-section 16, in our opinion and according to the information and explanations given to us, the remuneration paid by the Company to its Directors during the current year is in accordance with the provisions of Section 197 of the act. The remuneration paid to any Director is not in excess to the limits laid down under Section 197 of the act, the Ministry of Corporate Affairs has not prescribed other details under Section 197, sub-section 16 which are required to be commented upon by us. Thank you sir and over to you.

Arun Duggal: Thank you, Mr. Rahman. May I now request Mr. Rahman to brief you about the voting procedures at the AGM.

S. Shakeb Rahman: Thank you sir. With the provision of the Companies Act, 2013 and it's rules and in view of the virtual format of the meeting, voting by show of hand is not permitted at the AGM, where e-voting has been offered to the members. Therefore, at the 30th, AGM of your Company, voting will be conducted electronically. Your Company had teamed up with NSDL to provide facility for voting through remote electronic voting, e-voting. During the annual general meeting and participation in the annual general meeting through VC or OAVM facility.

The remote e-voting commenced on Monday, July 26, 2021, 9:00 AM, IST and ended on Wednesday, July 28, 2021, 5:00 PM, IST. Members of the Company holding shares either in the physical form or in the dematerialized form at the close of business hours on Friday, July 23rd, 2021, the cut-off date were eligible to cast their vote electronically. Those members who had not cast their vote through e-voting process may only cast their vote at the 30th AGM electronically. The facility for e-voting is available during the AGM and 30 minutes after the conclusion of the meeting. Your Company has appointed Mr. Sachin Agarwal, proprietor of A. Sachin & Associates, Company Secretary as a scrutinizer to scrutinize the voting process in a fair and transparent manner. Thank you, sir and over to you.

Arun Duggal: Thank you, Mr. Rahman. I will now request members who have registered themselves as speakers to speak or ask questions pertaining to the performance of the Company during the year under review. May, I request you that please keep your queries pertinent and brief so that other members may also have an opportunity to ask questions.

Moderator: Thank you. I now request Mr. Yashpal Chopra to proceed with your question.

Yashpal Chopra:

So, I feel it's my duty just to complement you people because inspite of a very, very tough time the Company has just give a performance which is we can say quite satisfactory performance, because our Company is a service Company and for service we need the economy to run if there is economy only then the clients will come to us, only then we can do all getting and all that job, only then we can render them the service, but because a matter of bad luck, this cruel COVID, which has impacted global economy, not only India even the worldwide all the economy had just come to a standstill. And at that time, the main priority was just to save the human life, the life of the people. So, that is why the economy had been halted, there was no virtual action. So, even in that circumstances and by just with the passage of time we got some things to do and we just have some performance that is as per my calculation that is quite satisfactory. But in spite of the lower performance, lower growth, lower EPS turnover, I can see, our Company has maintained the dividend track record, they have maintained the dividend, which was paid in the previous year. So, that shows that Company, very much investor friendly, they are carrying further and that is a very big thing, and our Company is a rating Company, they have to just certify the truthiness of other companies. So, their formula of governance is based on ITC, integrity they are the honest people, and they believe in integrity and that is why they've got international reputation everywhere, then T stands for transparency, so there is no hanky-panky deals, all fair deals so that is a matter of proud for us and C means concern for employees over last two, work from home because their safety, their health that was the main concern for the Company and then the concern for the shareholders that we have seen in the dividend in spite of a lower result, profit and all that. So, sir now the coming time is definitely better because now the people have just learned the discipline, they know that such virus will be coming again-and-again. But they have to just go along with their economy, they have to run projects, they have to go there and their business and so we feel that the coming future, coming days our results will be definitely very, very good because I'm quite hopeful. And rather, I pray God, just to bestow positivity on you and your entire team of people who have worked contributing to the cause of the Company. So, this is a very big thing and even the COVID time, you have not curtailed the pay of the people, because generally in the other companies, in that thing by just taken action and because management said that we are not having any earning so we are not paying full, over here you maintain that thing so that means you are offering your employees, you are looking after their welfare, that is a very big thing. So, I would pray God to bestow positivity on you all and before I just close, I would thank our CFO and our Company Secretary said Mr. Rahman and all the people in this true organization, who have just helped me in getting this chance to share my sentiments for you. So, best of luck to you. And may God bless you with the sound health so that the coming time should be brighter for you and as well as your entire team. Thank you.

Arun Duggal:

Thank Mr. Chopra. Thank you for your understanding and kind words. We deeply appreciate them.

- Moderator:** Thank you. I now request Mr. Naveen Goel to unmute the microphone and webcam and to proceed with his question.
- Naveen Goel:** So, I had a couple of questions. Firstly, could you share the market share of ICRA for the securitization business, and how has it been for the last three, four years are we gaining market share in that division. Secondly, how is the securitization business doing this year versus the last year, last year was really bad for the industry the volumes were down by almost 50%, 60%. How does the management see it going forward, and what do we expect from the financial year 2021-22 for this business specifically. Secondly, last year SEBI stopped the credit rating agencies to do the grading business. And we stopped doing it from May 30th onwards. Is it possible for us to do that business through a wholly owned subsidiary of our, will that be possible for us that is one thing I would like to know. Thirdly, what is our agreement with Moody's.
- Moderator:** Sorry to interrupt. I believe, Mr. Goel's line has got disconnected, in the meanwhile we'll try to check his connection at the back end. We'll move on to the next speaker shareholder. I now request Mr. Kushal Dakalia to unmute the microphone and webcam and to proceed with their question. We will move on to the next question. I now request Mr. MP Bhutani, to unmute their microphone and webcam and to proceed with their question. We'll move on to the next speaker shareholder. Meanwhile, we'll check the connection for Mr. Bhutani. I now request Mr. Hariram Chaudhari, to unmute the microphone and webcam and to proceed with their question.
- Hariram Chaudhari:** I want to ask about CSR, what have we done for COVID related whether we have provided PPE kits, whether we provided ICU beds, whether we provided ventilators, whether we provided oxygen cylinder for the COVID affected people, how much we have spent for COVID affected people and how much total cost we have spent on CSR activities and have we constituted CSR Committee. Now, I have a few suggestion –one is that after Diwali keep a get together for all the members who are present today.
- Arun Duggal:** Thank you, Mr. Hariram Chaudhari. Thank you for your comments really appreciate them. We will respond to your queries at the end of Q&A session. Thank you.
- Moderator:** Thank you. I now request Mr. Kushal Dakalia, we have his connection restored. Sir you may unmute your microphone and webcam and proceed with your question. We have Mr. Naveen Goel reconnected. May I request Mr. Naveen Goel to unmute the microphone and webcam and to proceed with his question.
- Arun Duggal:** Mr. Goel welcome back. We have your questions, but we lost the connection towards the end. Could you complete your question?
- Naveen Goel:** Right. So, I have two remaining questions. One is, I wanted to understand our agreement with Moody's Inc and what is the visibility of revenues there. Secondly, I wanted to know your views on the capital allocation policy of the Company. As we generate our free cash flow for almost

70 to 80 crores per annum and being a service business, we don't have much use of this cash for any kind of CAPEX there in, does the management believe in returning this cash to the shareholders like we have almost 750, 800 odd crores on the balance sheet right now. So, we had a policy of doing buybacks in the past and we have a buyback committee as well. So, are we planning to do certain buybacks as the parent Company also does or planning to increase the payout ratios from the historical 40%, 50% to let's say, about 80% to 90% of the profits. That's from my side. Thank you.

Arun Duggal: Thank you, Mr. Goel, thank you for your question. We will respond to your question in consolidated manner at the end of the Q&A. Operator, we could go to the next speaker please.

Moderator: Thank you. I now request Mr. MP Bhutani to unmute his microphone and webcam and to proceed with his question.

MP Gattani: Sir, my question is, is there any plan of the Company to reward the members in any form in dividend or bonus of equity share. Sir what is your fixed plan and what is your value creation road map and where do you see your Company in the next financial year 2022. Sir, after going through the same journey of the Company yes we are happy but we are not intended at all, because we feel and believe that the Company has much more potential than what it has delivered yet. We feel and believe that Company management is far younger than its thinking, leaner in its working, stronger in its commitment and more responsible, sir, I would appreciate if you could briefly reply and I wish the Company all the best over the future and hope to see healthy growth in business and size of the Company. Thank you very much sir.

Arun Duggal: Mr. Bhutani Namaskar. Very good question, if we may respond to them in a consolidated manner at the end of Q&A session.

Moderator: Thank you. We now have Mr. Kushal reconnected. The next question is from Mr. Kushal Dakalia this is an audio question. Sir you may go ahead.

Kushal Dakalia: My question is, like we are having about 600 to 700 crores of liquid investment in form of mutual fund, corporate deposits and fixed deposits with us, so what is the purpose of keeping such big amount idle. Whether we are looking for any investment or we should give it back to the shareholders as dividends or buybacks. And the second question is that I understand that in financial year 2021, there was COVID and due to that the performance and the sales can be flat and all. But as I see the sales figures for last five to six years in 2015 our sale was about 320 crores, and in 2021 it is 311 crore. So, there is no improvement at all in five, six years. In contrary like our competitors CRISIL, which is growing steadily at 8% to 10% every year. So, what is the roadmap, where do we see us in next five years. Thank you very much.

Arun Duggal: Thank you, Mr. Dakalia thank you for your question, it's very pertinent. We will respond to that at the end of Q&A session.

Moderator: Thank you. I now request Mr. Manjeet Singh to unmute the microphone and webcam and to proceed with their question.

Manjeet Singh: We don't expect this from such a big Company like yours, as you know there are too many scams going on and still you are announcing our client Ids and DP Ids on the call, who has given you right to announce our client Ids and DP Ids, it's fine to call us by name but who told you to mention our Ids. You should think on it. We think our promoter holding is low so can we have any buyback offer from cash flow, please let us know on this. And in the year which has passed our Company performance has been good and few figures show that our Company is not that popular in India and it's better in foreign countries, their the sales have been better as compared to India and it has decreased in India. So, is our Company not being considered in India in terms of rating, please let us know on this. And the fixed assets in the balance sheet are low so why it has been low, and the Company is working only for CFO or it's for all Directors, as the sitting fees is taken by Mr. Arun Duggal, Ms. Ranjana Agarwal and Ms. Radhika V Haribhakti and it's very sad that in COVID period they are taking commission too. If we have a certain procedure it's fine but during COVID period they should not take it, these Directors should understand when the situation was good it was fine taking commission, the shareholders also faced issues so they should have given us high dividend instead of taking commission. Do discuss this with the board and till the time we have Arun Duggal the share price won't increase much because already he is in ITC and ITC price is also stable like this. Our price in 2017 as per the Sensex and NIFTY which has improved our ICRA share price has not improved. Since last five years you are here and you are in ITC as well, and there is no increase in ITC share as well it's same in both, please focus and see in 2017 where the NIFTY and Sensex was and currently what it is and what our price is left, it has increased in last one month but as per the rating agency we are not getting our value and physical AGM proceed which you said is good, but in that Mr. Rahman will decide which paragraph he wants to read, but it's Chairman's order to read first line and last paragraph here. At least in the physical AGM it's decided by all shareholders and if anyone has any objection then they read the whole paragraph so do tell us about it. And in your speech if you mentioned about CSR activity then I was not able to recall that, so request you to please let us know on that. And rest we are connected with you and we could connect with you. Secretarial department did a good job and we could connect with you now. And we are a rating agency so please rate our AGM and see what was missing due to which few of the shareholder could not connect and do rate on this today itself. Thank you, and sorry if you didn't like what I said. Thank you.

Arun Duggal: Thank you, Mr. Manjeet Singh. We will answer your questions at the conclusion of question-and-answer. Please continue.

Moderator: Thank you. I now request Mr. Bhupendar Singh Reen to unmute the microphone and webcam and to proceed with his question.

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- Bhopendar Singh:** Sir, I am calling from Delhi and most of my questions have been asked by others so I don't want to mention them again and waste time, so can you please let me know, we have good cash reserve with our Company so allot them as bonus share or do buyback and do think on this and the AGM which you do in August please prepone it so that the retired people get their dividend at the earliest. Our financial year is on 31st March, so after the AGM in May, June you should allot it so we get the money on time. I am very thankful to Mr. Rahman to let me speak in front of you and did the work of Company Secretary very well. Thank you.
- Arun Duggal:** Thank you Bhopendar Singh. Operator we can take the next.
- Moderator:** Thank you sir. I now request Mr. Kirti Jayantilal Shah to unmute his microphone and webcam and to proceed with his question.
- Kirti Jayantilal Shah:** Sir, I have emailed you the questions, request you to reply to the email. Wish you all the best, thank you very much.
- Arun Duggal:** Thank you, Mr. Shah. Operator we can move to the next speaker please.
- Moderator:** Thank you. I now request Mr. Keshav Garg to unmute his microphone and webcam and to proceed with his question.
- Keshav Garg:** So, sir I had a few questions. Sir, so first of all what is the size of the ratings market in India and sir since the past three years since the IL&FS crisis. So, this ratings market, how has it grown or shrunk by what percentage. Sir, what is the market share of ICRA in the domestic ratings market and how has it moved in the past three years. Sir, wanted to understand that what has been the impact of new entrants like Infomerics, Brickwork, Accuite in the rating space, the impact is quite obvious that the competitive intensity has increased. So, the question really is that what impact has it had on our, on the pricing of the rating, the realization and sir since the NBFC crisis, have the ratings realization the pricing has it decreased. And also, sir what is the outlook for the present year sir, the first quarter results were very encouraging after a long time, we have performed better than the market leader which is CRISIL. And so, we sincerely hope that this trend continues. Also, sir why have ICRA's rating segment revenues declined during FY20 and 21, whereas CRISILs rating revenues have grown during the same period and even sales revenues were flat year-on-year during FY21 were only ICRA's rating revenues fell. Sir so basically past two years there seems to have been some serious underperformance of our Company. And sir also as far as the margin goes, our operating margin is less than half from 43% in FY18 to 21% in FY21. Whereas CRISILs margins during the same period has increased from 31% to 40%. And sir even Cares margin of the rating segment have increased during FY21. So, sir again, on the top line as well as on the margins in the past two years, there has been some serious underperformance from ICRA. So, if you could shed some light that, what has caused this and sir what are we doing to basically reverse this trend. Sir just one or two questions, sir also wanted to understand whether the crash in our margins is due to realization de-growth,

pricing de-growth or hike in salaries for our employees or a combination of both. Sir again, this question was raised about cash balance. So, basically, Indian ratings space needs consolidation. So, if we can put this cash to acquire a few companies, so then our market share will increase, the pricing will increase. Sir thank you very much and best of luck to you.

Arun Duggal: Thank you, Mr. Garg. Operator let's take the next few questions and then we'll wrap it up.

Moderator: Thank you. Sir that was the last question you may proceed.

Arun Duggal: Okay, thank you operator. Let me start with Mr. Garg's comment that we are all very encouraged with the first quarter performance, which was announced recently. As other speakers have also mentioned last year was a very trying year for many businesses. And we've seen in the entire business landscape, companies have de-grown, companies have shed employees, companies have reduced dividends and their capital expenditure plans. But your Company has a long-term vision and confidence in its future. We have continued to adapt ourselves to these change circumstances, work from home, serve our client, keep our rating quality, improve it in the last one year. We are also very proud to say that we've been able to maintain the dividend levels to serve our shareholders. We have also kept up with the employees and not only looked after them financially but provided assistance to them and their families during this time about I would request Mr. Sivaraman to expand a little bit more. With that, I appreciate your confidence in our Company, we are also very confident that ICRA will continue to serve the market and all its stakeholders, including our shareholders very well. I would now request our Managing Director and Group CEO to respond to some of the questions regarding business strategy.

Arun Duggal: Siva you are on mute, you are still on mute.

Moderator: Mr. Sivaraman you are on mute, I would request you to please unmute yourself. You can unmute yourself using the toolbar at the bottom of the screen.

Arun Duggal: Siva as you figure it out. I will just move on to Vipul our Chief Financial Officer to comment on some of the, actually he is unmuted Siva. can you hear me?

N. Sivaraman: Everyone can hear me now?

Arun Duggal: Yes, we can hear you. And we look forward to your comments.

N. Sivaraman: Sure. Interesting set of questions and observation. First of all, I must thank the participants, the shareholders who have asked these questions also, the kind of appreciation they have given to us as part of their remarks. Rating industry is a function of how the credit growth in the country works, you will probably know that the GDP growth has consequently the level of investment that have happened in the country in new capacity creation, which actually drives the credit growth to a large extent have all been very muted. COVID as a pandemic over the last 18 months

or so 15 months or so have not helped matters. So, in the context of these environment that we prevailed in the country and also sadly disrupted capital markets for a period of about, say three to six months during FY21, the issuances and as well as the term loan issuances from the banks have also been very muted. So, overall growth across the country on new ratings have been much lower and insignificant. ICRA has its own share for issues over the last three years which I don't want to repeat anything of those it has been there. So, combination of these two have resulted in the level of negative growth in the revenue over the last two years.

As, someone mentioned that as you'd have also read from the first quarter where we have seen a growth on a year-on-year basis. The market outlooks looks promising at the moment, given the growth in the GDP. We do believe that the investments in the country will return through the end of this fiscal year. As a result, the credit pickup will also be reasonably good. This year is expected to as much as for the country. Also, ICRA will lay a good foundation for the next few years as we look forward to it.

The margins in the Company have been affected, as you know that this business is largely dependent on people and consequently, the fixed costs are high as Mr. Duggal said, we have really not tampered so much with the number of people or there salary levels. So, the fixed cost, the cost have remained more or less sticky, while the revenues have come down which has been one of the primary reasons why the margins have got impacted. We are working at both as Mr. Duggal mentioned in this year, there are technologies initiatives are happening which will improve our level of flexibility to handle larger volume without really adding to people and as the focus on winning more clients and getting more mandates from them and backed by the volume growth in the industry should help us quite strongly to return to in these margins in the near future. Well, the other, the margins run by the other CRAs perhaps gives us the true confidence that with an optimal level of revenue we should also be able to achieve similar levels of margins in a period of time.

There was a question about the securitization market, the securitization market itself is used by many of the NBFCs for the purpose of raising liabilities. One of the most active markets and ICRA I can only tell you while we will not be able to share the exact percentages, our dominant share in rating the securitization papers. The securitization during FY20 was roughly about two lakhs crores and if you hear the number for FY21, you will understand the kind of impact that it has left on ICRA to some extent on the revenue growth. The issuances came down by about 45% to 50%. The issuances were close to around 90 crore close for the year FY21.

It did pick up in the fourth quarter, but the continued concern around the collection levels in some other portfolios have resulted in a different activity on the securitization market during the Q1. But we do believe that with stability on infections and lack of lockdown, and continued employment opportunities for the individual owners of houses and other assets, the collection level will improve, the confidence of investors will come back to make investments in this paper.

So, towards the second half, we do believe that it will come up to a significant extent, ICRA is well positioned to exploit many of these assets.

The new entrants, there are new entrants, in any business it's welcome to have new competition because it also keeps us on our toes and helps us to improve our own performances, thankfully ICRA is very highly valued and highly rated rating agency. Consequently, while there is some impact, but it is not something which we should be really worried about what we should focus on is the way we deliver our services, the way we ensure our rating quality for the best and the investor should continue to trust us for the rating that we do as much as the issuers to believe us with knowledge giving them the right level of rating as well as the context in which we are rating them. That's something which we are doing very actively, the return of stable management, the connection with the clients have improved. They are engaging with the clients on various aspects and making sure that we have a good exchange of ideas and information between the two. This should help us in keeping us well connected to the clients consequently also that we will get back to our rightful positions in some time.

The other question was about the use of cash. We are fortunate to have a good cash being a service Company, we don't have to make investments significantly in plant and machinery. So, we are able to preserve cash. While we have been returning some part of the cash through healthy dividend ratios, EBITDA-to-40% it will be good to keep this cash to look at the opportunities for expanding the non-rating business. We don't think there will be some opportunities to make investments in this area, we will also need some more investment in creating a digitized environment in the Company that we will work on, these will help us ensure that we remain competitive and also our rating quality levels will also enhance as a result of that.

Those were primarily the questions around the business operations Mr. Duggal.

Arun Duggal:

Thank you for your comments and explanations and thank you for your leadership of the Company. I will now request Mr. Vipul Agarwal to briefly comment on the financial issues those were raised.

Vipul Agarwal:

Sure. Thank you sir. Apart from cash, there were a few questions around the bonus shares and dividends. As Mr. Sivaraman mentioned we actually generate good amount of cash every year. And if you see our dividend ratio basically the payout ratio in last five years I would say it has moved from 27% to 49%. So, we have on a very consistent basis, distributing dividends to our shareholders and returning cash to our shareholders. Regarding buyback, there were questions around buyback also. So, we have done two buybacks in the past and with the help of buyback also we have returned some cash, to our shareholders. In future also board can consider this option as per our dividend policy. There was one more point around bonus share in this regard, I would like to mention that we have been consistently rewarding our shareholders by way of distribution of profits, by way of dividends. So, the board may consider the option of issuing bonus shares at appropriate time.

Regarding, the use of surplus cash and I would say that currently the cash is parked in highly rated papers to generate or to maximize yield on that cash. But while we are retaining that cash, probably that cash we can deploy in all the improvement initiatives or we can deploy that cash for automation initiatives. We are also exploring some acquisition opportunities, some inorganic opportunities where that cash can be deployed. And plus, we are possible basically to return the cash to the shareholders as per our dividend and estimation policy. Thank you sir.

Arun Duggal:

Thank you, Mr. Vipul Agarwal. I will now take up the agenda items one-by-one. Agenda item one is adoption of annual financial report. The Director reports, the auditor's report and the financial statement for the year ended March 31, 2021, have been forwarded to the members. The members are requested to consider adoption of agenda item number one as an ordinary resolution. The next item is regarding dividend, dividend of Rs.27 per equity share for the year ended March 31, 2021, has been recommended by the Board of Directors. Members are requested to consider adoption of agenda item number two as an ordinary resolution.

The next item is appointment of Mr. David Brent Platt as a Director. Mr. David Brent Platt, the Director of the Company is retiring at this AGM and being eligible of himself for reappointment. The members are requested to consider the adoption of agenda item number three as an ordinary resolution.

Item number four is appointment of Ms. Wendy Cheong as a Non-Executive and Non-Independent Director, pursuant to provisions of Section 149 and 152 and other applicable provisions, if any of Companies' Act, 2013 and rules there under as amended from time-to-time, Ms. Wendy Cheong be appointed as Non-Executive and Non-Independent Director of the Company effective from July 29, 2021, liable to retire by rotation. The members are requested to consider the adoption of agenda number four, as an ordinary resolution.

As I'm interested in the agenda item number five, may I request Mr. Michael Foley, to chair the meeting for this agenda item. Mr. Foley.

Michael Foley:

Thank you, sir. Agenda item number five is the continuation of Mr. Arun Duggal as a Non-Executive, an Independent Director. Pursuant to regulation 17A and other applicable provisions if any of the Securities and Exchange Board of India regulations 2015 including any amendments, modifications, variation, re-enactments thereof and as recommended by the Nomination and Remuneration Committee and approved by the Board of Directors. Mr. Arun Duggal should be continued as a Non-Executive and Independent Director of the Company even after attaining the age of 75 years, up to his present term as an Independent Director and that's November 10 of 2024 on the existing terms and conditions, so the members are requested to consider the adoption of agenda item number five as a special resolution. May, I now request Mr. Duggal again to chair the meeting for the rest of the proceedings. Thank you.

- Arun Duggal:** Thank you, Mr. Foley. I am interested in agenda item number six, as well. May I request Mr. N. Sivaraman, to chair the meeting for this agenda item.
- N. Sivaraman:** Thank you, Mr. Duggal. Agenda item number six pertains to the payment of commission under remuneration to Non-Executive Directors, including Independent Directors of the Company. Pursuant to the provisions of Section 197 and other applicable provisions, if any of the Companies Act, Schedule V to the Companies Act, 2013 and the rules framed, including any statutory modifications or re-enactment for the time being enforced, and in partial modification to the resolution passed in the 25th annual general meeting, payment of a sum not exceeding 1% of the net profits of the Company for each financial year, computed in the manner as specified under Section 198 of the Companies Act, 2013 to the Non-Executive Directors of the Company including Independent Directors other than Managing Director and Whole Time Director in such amount or proportion and such manner and in all respect that may be determined and recommended by the Nomination and Remuneration Committee and approved by the Board of Directors. And such payment shall be made with respect to profits of the Company for each year for a period of five years commencing from April 1, 2021, and in case the Company's has no profit, or the profits of the Company are inadequate during this period of five years effective from April 1, 2021, we pay such remuneration within the limits specified under Section 197 and Schedule V of the Companies Act, 2013. The members are requested to consider the adoption of the agenda item number six as an ordinary resolution. May I now request Mr. Duggal to chair the meeting for the rest of the proceedings.
- Arun Duggal:** Thank you, Mr. Sivaraman. I now put the resolution to vote through an e-voting process and would request Mr. Rahman – our Company Secretary to brief you regarding the duration of voting results. Mr. Rahman.
- S. Shakeb Rahman:** Thank you sir. Members are requested to cast their vote electronically. The scrutinizer shall make out a scrutinizer's report of the votes cast in favor of, or against, if any, each resolution and send the same forthwith to the Chairman or persons authorized by him in writing. The Chairman or the authorized person shall declare the results forthwith. The results declared along with the scrutinizer's report shall be placed on the Company's website www.icra.in and on the website of NSDL and shall also be displayed on the notice board at registered and corporate offices of the Company. And simultaneously be communicated to the BSE Limited and the National Stock Exchange of India Limited. The resolutions will be deemed to be passed on the date of the AGM and subject to receipt of the requisite number of votes in favor of the resolutions. Thank you, sir and over to you.
- Arun Duggal:** Thank you, Mr. Rahman. If there are no other business to transact, this meeting will be concluded after being open for 30 minutes for e-voting to be completed. I thank you personally and on behalf of my colleagues on the board of the Company for having spared your very valuable time to attend today's meeting and putting forth to your questions. We try to respond to all your question to best of our abilities, and to address all the critical issues that you raised. I would like

to conclude by recognizing ICRA's management team and the entire staff despite many challenges caused by Coronavirus, they have worked tirelessly to meet all customer needs, maintain uninterrupted services and to continue to provide highest quality of rating opinion and research to the market. I once again, thank you all for attending the meeting. Namaskar.

Moderator: Thank you. Ladies and gentlemen we are in the back of call now. You all may disconnect your lines.

Arun Duggal: Thank you.

Moderator: Thank you sir.

Arun Duggal: Thank you, everybody bye.

Moderator: Thank you everyone. We request all members participating in the AGM and who have not cast their vote yet, to cast their vote in the remaining period of 30 minutes. Thank you. Dear members, the time for e-voting has elapsed, and they are of the view that all members who are participating in the Annual General Meeting have been given adequate time and opportunity to vote at the AGM and this concludes the proceedings of the AGM. Thank you all for participating in the AGM and e-voting.