

## ICRA (ICRA) - ADD

### Result Update Q4FY26

Current Market Price (CMP) <b>Rs.5,490</b>	Fair Value (FV) <b>Rs.6,500</b>
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### Rationale:

- ICRA reported strong revenue growth in Q4FY26, but profitability lagged with PAT down 6% yoy due to margin compression, as operating costs rose faster than revenues amid acquisition-related impacts.
- While the ratings business (up 11% yoy) remained tepid, the non-ratings segment drove growth (up 56% yoy), led by the Fintellix acquisition, albeit with near-term margin dilution due to the mix shift and amortization effects.
- Valuations are comfortable, given the underperformance in the past couple of years. Retain ADD.

### 👍 Positives:

- Ratings revenue grew 10.5% yoy in Q4FY26 and 14.2% for FY26, supported by credit growth and heightened securitization activity (microfinance, gold loans, vehicle loans and MSME).
- We maintain a constructive outlook on the domestic credit ratings business, anticipating a medium-term cyclical upswing that should drive ~15% revenue growth and support margin expansion to around 40-43% over the FY27-29E.
- Non-ratings revenues grew 56% yoy, driven by the merger of Fintellix.

### 👎 Negatives:

- Performance reflected strong revenue growth but weak profitability, with PAT down 6% yoy and PBT declining 2% yoy.
- EBITDA grew 18% yoy, lagging revenue growth of 28% yoy, as operating expenses rose sharply by 37% yoy, leading to margin compression.

(EBITDA: Earnings before interest depreciation and tax)



The content of this document has been derived from KIE research report. Kotak's PCG Research has summarized the report (Research Team: shrikant.chouhan@kotak.com). Readers who wish to access the complete report are kindly requested to contact their respective Relationship Manager. Further, the recipient of this material should take their own professional advice before investing.

Holding Period: 12 months

## RATING SCALE (PRIVATE CLIENT GROUP)

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- BUY** – We expect the stock to deliver more than 15% returns over the next 12 months
- ADD** – We expect the stock to deliver 5% - 15% returns over the next 12 months
- REDUCE** – We expect the stock to deliver -5% - +5% returns over the next 12 months
- SELL** – We expect the stock to deliver < -5% returns over the next 12 months
- NR** – **Not Rated.** Kotak Securities is not assigning any rating or price target to the stock. The report has been prepared for information purposes only.
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- NA** – **Not Available or Not Applicable.** The information is not available for display or is not applicable
- NM** – **Not Meaningful.** The information is not meaningful and is therefore excluded.
- NOTE** – Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

### FUNDAMENTAL RESEARCH TEAM (PRIVATE CLIENT GROUP)

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**Shrikant Chouhan**

Head of Research  
shrikant.chouhan@kotak.com  
+91 22 6218 5408

**Arun Agarwal**

Auto & Auto Ancillary, Building Material,  
Cement, Consumer Durable  
arun.agarwal@kotak.com  
+91 22 6218 6443

**Amit Agarwal, CFA**

Transportation, Paints, FMCG  
agarwal.amit@kotak.com  
+91 22 6218 6439

**Rini Mehta**

Research Analyst  
rini.mehta@kotak.com  
+91 22 6218 6433

**Sumit Pokharna**

Oil and Gas, Information Tech  
sumit.pokharna@kotak.com  
+91 22 6218 6438

**Veer Trivedi**

BFSI  
veer.trivedi@kotak.com  
+91 22 6218 6432

**Pankaj Kumar**

Construction, Capital Goods & Midcaps  
pankajr.kumar@kotak.com  
+91 22 6218 5498

**Amarjeet Maurya**

Internet Software & Services  
amarjeet.maurya@kotak.com  
+91 22 6218 6427

**Gaurav Bhandari**

Research Analyst  
bhandari.gaurav@kotak.com  
+91 22 6218 6440

### TECHNICAL RESEARCH TEAM (PRIVATE CLIENT GROUP)

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**Shrikant Chouhan**

shrikant.chouhan@kotak.com  
+91 22 6218 5408

**Amol Athawale**

amol.athawale@kotak.com  
+91 20 6620 3350

**Sayed Haider**

sayed.haider@kotak.com  
+91 22 62185458

### DERIVATIVES RESEARCH TEAM (PRIVATE CLIENT GROUP)

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**Sahaj Agrawal**

sahaj.agrawal@kotak.com  
+91 79 66041701

**Prasenjit Biswas, CMT, CFTe**

prasenjit.biswas@kotak.com  
+91 33 6638 8331

**Karan Kulkarni**

karan.kulkarni@kotak.com  
+91 20 66203350

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