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'It's important for us to look at our non-ratings business'

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To diversify its business from the current focus on ratings, Icra Ltd has prepared a five-year plan to look more closely at the analytics business. Currently, almost two-thirds of the revenue of Moody's Indian affiliate originates from its ratings business, a segment where revenues are closely linked to economic conditions. Its managing director and group chief executive Ramnath Krishnan said the rating agency wants to derive half of its revenues from the non-ratings business in the next five years. It has also made changes to its governance and internal control processes to make them stronger. *Edited excerpts:*

INTERVIEW

Regulators seem to be looking at rating agencies more closely now. How have you tried to bolster your processes?

The regulatory framework and rigour certainly have been enhanced quite a bit. As is the case with any other regulated industry, regulations keep revolving, and regulators look at consistently raising the bar. That is not something that is going to ever change because every regulator is looking at tighter and stricter governance frameworks. From our standpoint, we had to look at some of our governance frameworks and internal control processes a lot more closely. We had to make changes to make them far more robust. As far as the governance standards and frameworks are concerned, I would say that pretty much whatever had to be done has been done.

Having joined about a year ago, what are some of the changes you are making at Icra?

We have a five-year plan which was taken to the board in January. It has multiple deliverables, including people and technology-related initiatives and things we need to do to rebalance our book. From a technology revamp perspective, we hired a chief technology officer a few months ago. Icra has never had one before, and he will be responsible for leading the entire tech revamp. We have subscribed to an early warning system. There is an external vendor who aggregates data from multiple sources and then feeds the information to us on a daily basis. This is mapped to our portfolio. So, if we have got X number of credits that we rate, these X number of credits are bucketed as a portfolio, and those are tracked by that vendor. They look at GST filings, PF deposits, negative news, litigation, changes in auditors, and changes in directors, among others. They aggregate all this data, and then there are alerts that are sent to the analysts on a daily basis.

Why do you need to rebalance the businesses?

We have a fairly significant non-ratings business done through our subsidiary Icra Analytics, and we want to grow that business too. You must understand that the rating business will always be a function of how economic activity pans out. So, in an extremely good year, we could see growth in the low or mid-teens, but in a modest year, it could be in the high single digits, and when activity is low, the revenues could be impacted. It is important for us to therefore look at our non-ratings business so that its contribution to the overall pie increases. A little over a third of our revenues are from the non-ratings business. We are looking at getting 50% of our revenues from this business as part of our five-year plan.

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>
> **Ramnath Krishnan**
> Managing director and group chief executive, Icra