

CRISIL is a global analytical company and India's foremost provider of ratings, data & research and analytics, with a strong track record of growth and innovation. It was incorporated in 1987 as India's first credit rating agency. Presently, it is majorly owned by Standard and Poor's (S&P), the world's leading provider of independent credit risk research and benchmarks, and a part of McGraw Hill Financial (formerly The McGraw-Hill Companies). S&P currently owns 67.2% stake in the company.

Key Developments

Market leader with strong parentage:

CRISIL is one of the largest credit rating agency (CRA) with a market share of around 60% and enjoys a prominent position in the rating business including SME ratings. Besides, it is also one of the biggest research houses in India and 90% of India's commercial banks use CRISIL's industry research for credit decisions. Further, it has strong parentage of Standard and Poor's.

Diversified Business Model:

CRISIL has diversified its revenue base into different business segments viz. - research, rating and advisory over the last few years to mitigate the risk arising from high dependence on any one business. Therefore, it is less exposed to concentration risk as bank loan rating (BLR) revenue would be at risk in the future if banks move to internal rating based (IRB) approach to measure credit risk. CRISIL has also diversified its business model in terms of geography. CRISIL's consolidated revenue grew at a healthy CAGR of 17.0% over CY10-15.

Return ratios:

CRISIL has consistently maintained its RoE and RoCE above 30% and 45%, respectively over CY12-15 helped by asset-light business model and debt free status. CRISIL enjoys one of the best RoE in the industry. The company has also judiciously rewarded its shareholders with dividend payout in excess of 50% over the last four years.

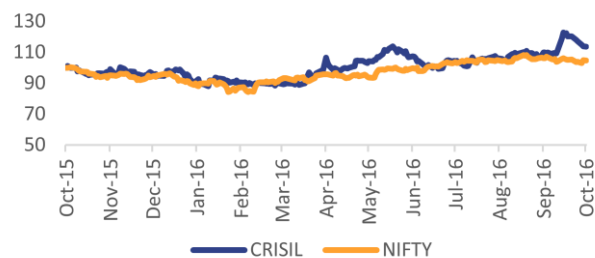
Market Data

CMP (Rs.)	2,253
Face Value	1.0
52 week H/L (Rs.)	2,490/1,750
Adj. all time High (Rs.)	2,490
Decline from 52WH (%)	9.5
Rise from 52WL (%)	28.7
Beta	0.7
Mkt. Cap (Rs.Cr)	16,041
Enterprise Value(Rs. Cr)	15,387

Fiscal Year Ended

	CY13	CY14	CY15
Total revenue (Rs.cr)	1,111	1,253	1,380
Adj. PAT (Rs.cr)	232	268	285
Share Capital (Rs.Cr)	7	7	7
EPS (Rs.)	32.8	37.6	40.0
P/E (x)	36.6	50.5	49.1
P/BV (x)	12.6	16.0	16.4
ROE (%)	38.5	35.3	33.5

One year Price Chart



Shareholding	Jun16	Mar16	Diff.
Promoters (%)	67.1	67.2	(0.1)
Public (%)	32.9	32.8	0.1
Others (%)	-	-	-

CRISIL Ltd: Business Overview

CRISIL is a global analytical company and India's foremost provider of ratings, data and research, analytics and solutions, with a strong track record of growth and innovation. It was incorporated in 1987 as India's first credit rating agency. Presently, it is majorly owned by Standard and Poor's (S&P), the world's leading provider of independent credit risk research and benchmarks, and a part of McGraw Hill Financial (formerly The McGraw-Hill Companies). S&P currently owns 67.2% stake in the company.

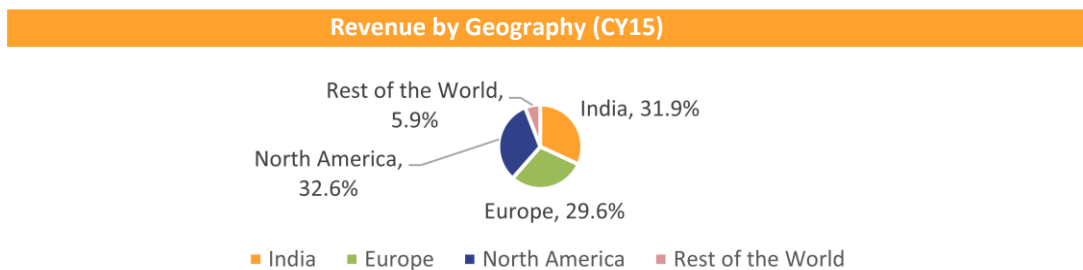
Over the years, the company has evolved to become one of the industry leaders with a market share of greater than 60% in ratings (Source: SIDBI) and has also diversified into research and infrastructure risk and policy advisory services. The company is currently one of the largest research houses in the country, providing research to over 65 industries and 150 corporates in India. The company also provides high-end offshore research and analytical services mainly to top financial institutions (including world's top 15 investment banks), insurance companies and asset management firms.

CRISIL has a more diversified business model with three segments - research, rating and advisory services. Research accounted for 63.8%/64.7% of revenue/EBIT in CY15 while rating formed 31.5%/34.7%, and advisory formed 4.8%/0.5% of revenue/EBIT in the same period.



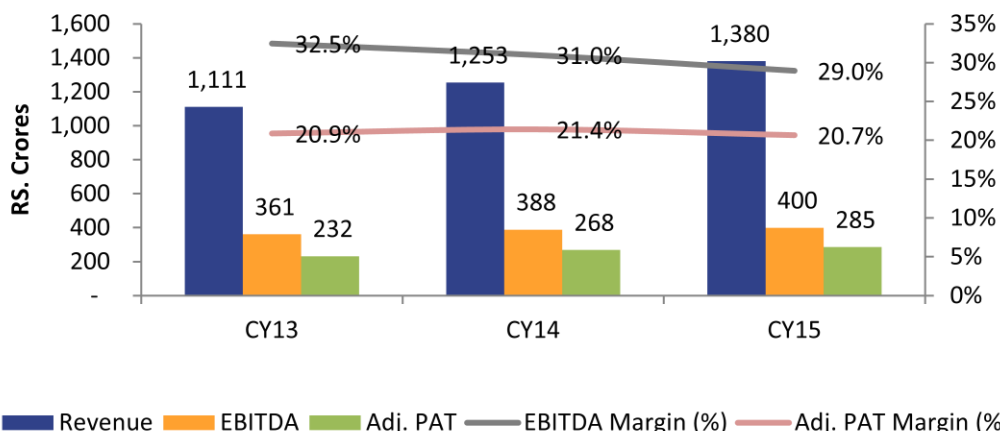
Source: Company, In-house research

The company has adopted a strategy of diversifying into different business segments across various geographies to mitigate the risk arising from high dependence on any one geography for revenues. While India contributed ~32% of the total consolidated revenue in CY15, North America and Europe contributed ~33% and ~30%, respectively. The company operates from 7 research centres across Argentina, China, India and Poland.



Source: Company, In-house research

Financial snapshot of CRISIL



Source: Company, In-house research

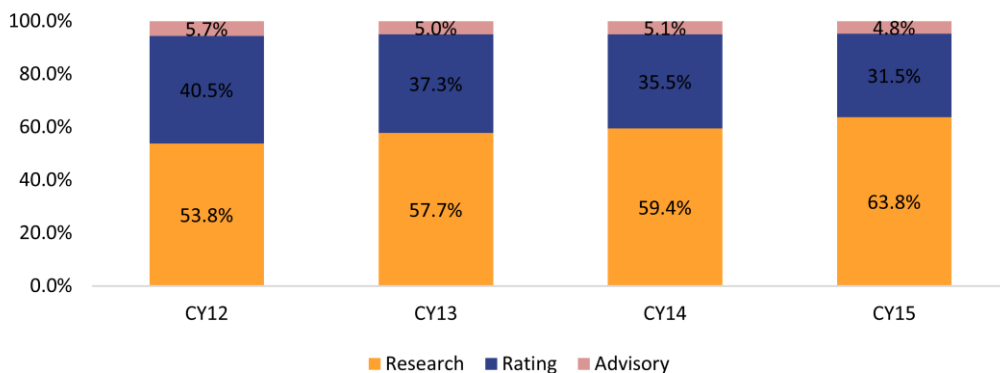
Market leader with strong parentage

CRISIL is one of the largest credit rating agency (CRA) with a market share of around 60% and enjoys leadership position in the rating business including SME ratings. Besides, it is also one of the biggest research houses in India and 90% of India's commercial banks use CRISIL's industry research for credit decisions. Further, it has strong parentage of Standard and Poor's.

Diversified business model

CRISIL has diversified its revenue base into different business segments viz. - research, rating and advisory over the last few years to mitigate the risk arising from high dependence on any one business. Therefore, it is less exposed to concentration risk as bank loan rating (BLR) revenue would be at risk in the future if banks move to internal rating based (IRB) approach to measure credit risk. CRISIL has also diversified its business model in terms of geography. Superior business model with diverse revenue streams enabled CRISIL to mitigate the current phase of systemic slowdown. CRISIL's consolidated revenue grew at a healthy CAGR of 17.0% over CY10-15.

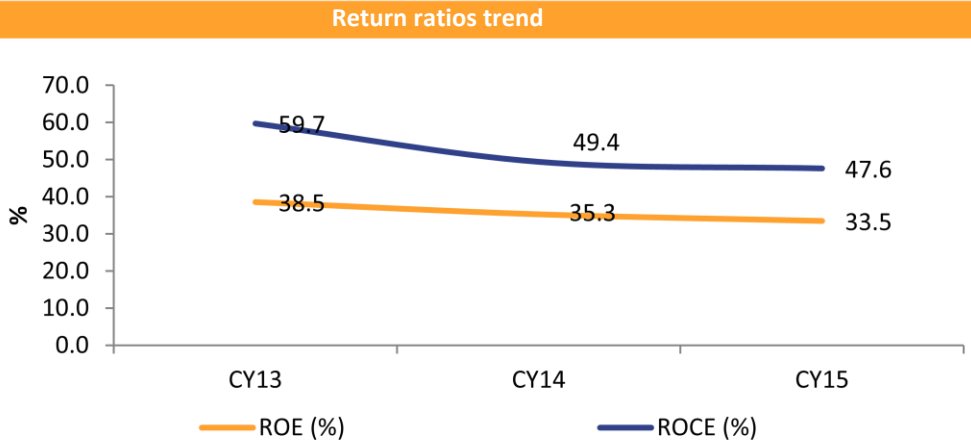
Segmental contribution to total revenue



Source: Company, In-house research

Healthy dividend payout and strong return ratios

CRISIL has consistently maintained its RoE and RoCE above 30% and 45%, respectively over CY12-15 helped by asset-light business model and debt free status. Further, CRISIL's RoE stood at 33.5% in CY15 which was one of the best in the industry – CARE (30.6%) and ICRA (16.9%). The company has also judiciously rewarded its shareholders with dividend payout in excess of 50% over the last four years.



Source: Company, In-house research

Balance Sheet (Consolidated)

(Rs.Cr)	CY13	CY14	CY15
Share Capital	7	7	7
Reserve and surplus	667	841	849
Net Worth	674	848	856
Minority Interest	-	-	-
Total Debt	-	-	-
Other non-current liabilities	24	35	32
Total Equity & Liabilities	699	883	888
Net Fixed Assets	134	117	98
Capital WIP	-	-	3
Goodwill	315	315	315
Investments	244	375	383
Net current assets	(73)	(3)	7
Deferred tax assets (net)	23	30	36
Other non-current assets	55	51	46
Total Assets	699	883	888

Cash Flow (Consolidated)

Y/E (Rs. Cr)	CY13	CY14	CY15
Net profit/loss before tax & extraordinary items	425	376	406
Net cashflow from operating activities	254	265	270
Net cash used in investing activities	(148)	(185)	1
Net cash used from financing activities	(82)	(112)	(262)
Net inc/dec in cash and cash equivalents	23	(32)	10

Financial performance snapshot

Net sales of the company stood at Rs. 1,380 Crores in CY15, a growth of 10.1% as compared to Rs. 1,253 Crores in CY14. The operating expenses of the company increased by 13.3% YoY to Rs. 980 Crores from Rs. 865 Crores during the year. The company's EBITDA grew by 2.9% YoY to Rs. 400 Crores in CY15 from Rs. 388 Crores in CY14. EBITDA margin contracted by 204bps to 29.0% in CY15 from 31.0% in CY14. Adjusted profit increased by 6.2% to Rs. 285 Crores in CY15 from Rs. 268 Crores in CY14. Adj. PAT Margin contracted by 75 bps to 20.7% from 21.4% during the period under review.

Profit & Loss Account (Consolidated)

(Rs.Cr)	CY13	CY14	CY15
Net revenue	1,111	1,253	1,380
Expenses	750	865	980
EBITDA	361	388	400
Depreciation	38	36	37
EBIT	323	352	362
Interest cost	-	-	-
Other Income	37	24	43
Profit Before Tax	359	376	406
Tax	127	108	121
Profit After Tax	232	268	285
Minority Interest	-	-	-
P/L from Associates	-	-	-
Adjusted PAT	232	268	285
E/o expense / (income)	66	-	-
Reported Profit	298	268	285

Key Ratios (Consolidated)

	CY13	CY14	CY15
EBITDA Margin (%)	32.5	31.0	29.0
EBIT Margin (%)	29.0	28.1	26.3
NPM (%)	20.9	21.4	20.7
ROCE (%)	59.7	49.4	47.6
ROE (%)	38.5	35.3	33.5
EPS (Rs.)	32.8	37.6	40.0
P/E (x)	36.6	50.5	49.1
BVPS (Rs.)	95.5	118.9	120.2
P/BVPS (x)	12.6	16.0	16.4
EV/EBITDA (x)	23.0	34.5	34.7



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