

## CRISIL

### Performance Highlights

Particulars (₹ cr)	3QCY2011	3QCY2010	%chg (yoy)	2QCY2011	%chg (qoq)
<b>Net sales</b>	<b>220.0</b>	<b>159.1</b>	<b>38.3</b>	<b>203.8</b>	<b>8.0</b>
EBITDA	83.9	56.2	49.3	60.6	38.5
EBITDA margin (%)	38.1	35.3	281bp	29.7	840bp
<b>Adj. net profit</b>	<b>60.2</b>	<b>75.4</b>	<b>(20.2)</b>	<b>44.4</b>	<b>35.4</b>

Source: Company, Angel Research

For 3QCY2011, CRISIL's net sales grew by 38.3% yoy to ₹220cr. The company reported a 281bp yoy expansion in OPM to 38.1%. Net profit declined by 20.2% yoy to ₹60cr. **We continue to remain Neutral on the stock.**

**Top line posts strong growth, PAT declines:** For 3QCY2011, CRISIL's top line reported 38.3% yoy growth to ₹220cr, led by strong growth in its research segment, which witnessed 48.0% growth because of addition of Pipal's revenue for the full quarter and strong revenue growth in Irevna and CRISIL Research. The rating segment also picked up during the quarter, registering modest 14.8% yoy growth. The advisory segment also witnessed an increase in its revenue, registering 44.3% yoy growth. The company's EBITDA margin increased by 281bp yoy, largely due to lower employee cost, which declined to 40.5% of sales from 42.8% of sales. Net profit came in at ₹60cr, down 20.2% yoy. However, adjusting for other income, net profit increased by 74.5%. Other income declined by 88.1% to ₹5.3cr compared to ₹44cr in 3QCY2011.

**Outlook and valuation:** We expect CRISIL to post a 25% CAGR in revenue over CY2010-12 and continue to maintain its leadership position. CRISIL has announced another round of buy back of shares. The company will be purchasing shares directly from the market with a maximum price of ₹1,000/share and up to an aggregate amount of ₹80cr. With current market capitalization of ₹5,959cr, the company will only be able to buy back 1.3% (assuming CMP of ₹839/share) of the total equity, which will not have any significant impact on our estimates. Currently, the stock is available at 24.2x CY2012E earnings, which is at the higher end of its historical range of 16.4-29.9x one-year forward EPS. **We continue to maintain our Neutral recommendation on the stock.**

### Key financials (Consolidated)

Y/E December (₹ cr)	CY2009	CY2010E	CY2011E	CY2012E
<b>Net sales</b>	<b>537</b>	<b>631</b>	<b>819</b>	<b>990</b>
% chg	4.4	17.5	29.7	21.0
<b>Net profit</b>	<b>161</b>	<b>160</b>	<b>209</b>	<b>246</b>
% chg	14.4	(0.2)	29.9	17.8
<b>FDEPS (₹)</b>	<b>22</b>	<b>29</b>	<b>29</b>	<b>35</b>
EBITDA margin (%)	37.1	34.5	34.0	34.3
P/E (x)	37.7	29.0	28.6	24.2
RoE (%)	40.6	49.6	47.8	47.3
RoCE (%)	46.6	47.4	57.6	60.1
P/BV (x)	14.0	15.1	12.4	10.7
EV/Sales (x)	10.8	9.2	7.0	5.7
EV/EBITDA (x)	29.1	26.6	20.5	16.5

Source: Company, Angel Research

Please refer to important disclosures at the end of this report

## NEUTRAL

CMP	₹839
Target Price	-

Investment Period	12 Months
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### Stock Info

Sector	Credit Rating
Market Cap (₹ cr)	5,959
Beta	0.4
52 Week High / Low	945 / 561
Avg. Daily Volume	3,077
Face Value (₹)	1
BSE Sensex	16,748
Nifty	5,038
Reuters Code	CRSL.BO
Bloomberg Code	CRISIL@IN

### Shareholding Pattern (%)

Promoters	52.4
MF / Banks / Indian Fls	18.2
FII / NRIs / OCBs	11.6
Indian Public / Others	17.7

Abs. (%)	3m	1yr	3yr
Sensex	(9.5)	(17.0)	63.8
CRISIL	16.1	37.2	218.9

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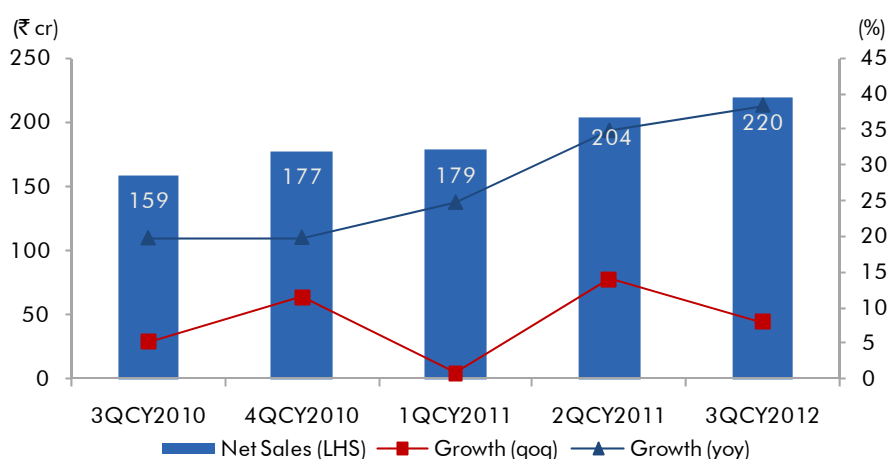
**Exhibit 1: 3QCY2011 – Performance highlights**

Particulars (₹ cr)	3QCY2011	3QCY2010	%chg (yoy)	2QCY2011	%chg (qoq)	CY2010	CY2009	%chg (yoy)
<b>Net sales</b>	<b>220.0</b>	<b>159.1</b>	<b>38.3</b>	<b>203.8</b>	<b>8.0</b>	<b>631.1</b>	<b>537.3</b>	<b>17.5</b>
Total expenditure	136.2	102.9	32.3	143.2	(4.9)	413.3	338.0	22.3
<b>EBITDA</b>	<b>83.9</b>	<b>56.2</b>	<b>49.3</b>	<b>60.6</b>	<b>38.5</b>	<b>217.7</b>	<b>199.3</b>	<b>9.2</b>
OPM (%)	38.1	35.3	281	29.7	840.0	34.5	37.1	(259.4)
Depreciation	7.4	5.4	36.6	7.4	(0.5)	21.3	14.9	43.1
EBIT	76.5	50.8	50.6	53.2	43.9	196.5	184.5	6.5
Interest	-	-	-	-	-	-	-	-
Other income	5.3	44.0	(88.1)	5.6	(7.0)	67.7	23.0	194.2
<b>PBT</b>	<b>81.8</b>	<b>94.7</b>	<b>(13.7)</b>	<b>58.8</b>	<b>39.0</b>	<b>264.1</b>	<b>207.5</b>	<b>27.3</b>
Tax	21.6	19.3		14.4		58.7	46.7	
Exceptional items	-	-	-	-	-	-	-	-
Net profit	60.2	75.4	(20.2)	44.4	35.4	205.5	160.8	27.8
NPM (%)	27.3	47.4	(2,006.4)	21.8	553.7	32.6	29.9	263
<b>Net profit adj. for other income</b>	<b>54.9</b>	<b>31.5</b>	<b>74.5</b>	<b>38.8</b>	<b>41.6</b>	<b>137.8</b>	<b>137.8</b>	<b>0.0</b>
Diluted EPS (₹)	8.5	10.4	(18.8)	6.3	35.4	29.9	22.3	34.5

Source: Company, Angel Research

**Revenue up 38.3% yoy on the back of strong research growth**

For 3QCY2011, CRISIL registered 38.3% yoy growth in revenue to ₹220cr on the back of strong 48.0% yoy growth in the research segment to ₹111cr (₹75cr). Growth in the research segment was majorly because of consolidation of Pipal's revenue and due to strong revenue growth of Irevna and CRISIL Research. 3QCY2011 witnessed an improvement in the rating segment, which registered modest growth of 14.8% yoy to ₹84cr. The advisory segment's revenue reported 44.3% yoy growth to ₹15cr during the quarter.

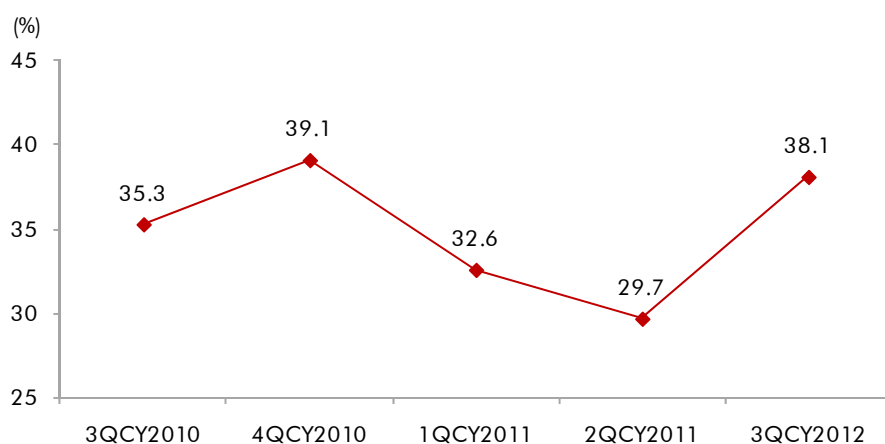
**Exhibit 2: Strong yoy growth in revenue continues**


Source: Company, Angel Research

### EBITDA improves, margins up

For 3QCY2011, EBITDA increased by 49.3% yoy to ₹84cr on the back of higher revenue. OPM improved yoy to 38.1% (35.3%) due to lower employee cost, which declined to 40.5% of sales in 3QCY2011 compared to 42.8% of sales in 3QCY2010.

#### Exhibit 3: OPM trend

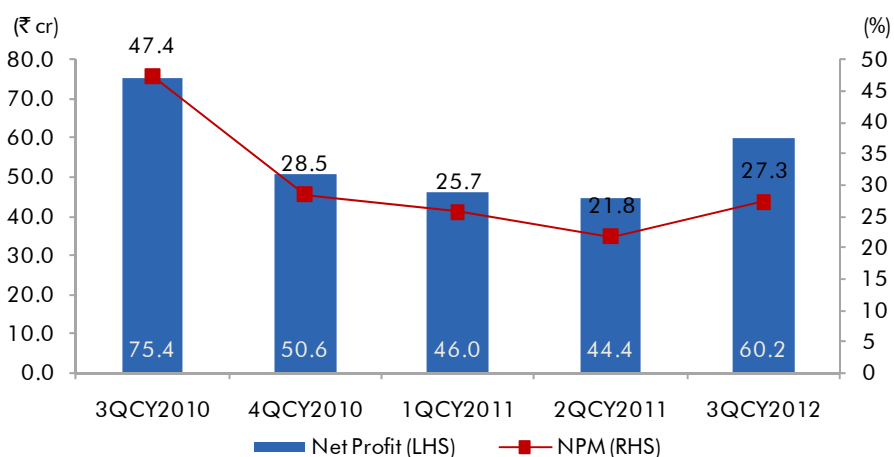


Source: Company, Angel Research

### PAT witnesses a 20.2% decline largely due to lower other income

For 3QCY2011, PAT declined by 20.2% yoy to ₹60cr on the back of lower other income during the quarter. Other income declined by 88.1% to ₹5.3cr in 3QCY2011 compared to ₹44cr in 3QCY2010. Adjusted for other income, the company managed 74.5% yoy growth in PAT.

#### Exhibit 4: PAT trend



Source: Company, Angel Research

## Outlook and valuation

We expect CRISIL to post a 25% CAGR in revenue over CY2010–12 and continue to maintain its leadership position. CRISIL has announced another round of buy back of shares. The company will be purchasing shares directly from the market with a maximum price of ₹1,000/share and up to an aggregate amount of ₹80cr. With current market capitalization of ₹5,959cr, the company will only be able to buy back 1.3% (assuming CMP of ₹839/share) of the total equity, which will not have any significant impact on our estimates. Currently, the stock is available at 24.2x CY2012E earnings, which is at the higher end of its historical range of 16.4-29.9x one-year forward EPS. **We continue to maintain our Neutral recommendation on the stock.**

**Profit and loss statement (Consolidated)**

Y/E Dec. (₹ cr)	CY2008	CY2009	CY2010	CY2011E	CY2012E
Net Sales	515	537	631	819	990
% chg	27.3	4.4	17.5	29.7	21.0
Total Expenditure	335	338	413	540	651
Establishment Expenses	52	55	71	92	108
Other Expenses	93	75	84	113	137
Personnel	191	208	258	336	406
Other	-	-	-	-	-
<b>EBITDA</b>	<b>179</b>	<b>199</b>	<b>218</b>	<b>278</b>	<b>340</b>
% chg	52.8	11.3	9.2	27.9	22.0
(% of Net Sales)	34.8	37.1	34.5	34.0	34.3
Depreciation & Amortization	14	15	21	27	28
<b>EBIT</b>	<b>165</b>	<b>184</b>	<b>196</b>	<b>251</b>	<b>312</b>
% chg	63.0	11.5	6.5	27.9	24.1
(% of Net Sales)	32.1	34.3	31.1	30.7	31.5
Interest & other Charges	-	-	-	-	-
Adj. Other Income	22	23	68	20	20
(% of PBT)	11.6	11.1	25.6	7.2	6.0
Share in profit of Associates	-	-	-	-	-
<b>Recurring PBT</b>	<b>187</b>	<b>207</b>	<b>264</b>	<b>271</b>	<b>332</b>
% chg	69.1	10.9	27.3	2.5	22.6
Extraordinary Expense/(Inc.)	-	-	-	-	-
<b>PBT (reported)</b>	<b>187</b>	<b>207</b>	<b>264</b>	<b>271</b>	<b>332</b>
Tax	46	47	59	62	86
(% of PBT)	24.8	22.5	22.2	23.0	26.0
<b>PAT (reported)</b>	<b>141</b>	<b>161</b>	<b>205</b>	<b>209</b>	<b>246</b>
Add: Share of earnings of associate	-	-	-	-	-
Less: Minority interest (MI)	-	-	-	-	-
% chg	68.0	14.4	27.8	1.5	17.8
Prior period items	-	-	-	-	-
<b>PAT after MI (reported)</b>	<b>141</b>	<b>161</b>	<b>205</b>	<b>209</b>	<b>246</b>
Extraordinary Income post tax	-	-	45	-	-
<b>ADJ. PAT</b>	<b>141</b>	<b>161</b>	<b>160</b>	<b>209</b>	<b>246</b>
% chg	68.0	14.4	(0.2)	29.9	17.8
(% of Net Sales)	27.3	29.9	25.4	25.5	24.8
<b>Basic EPS (₹)</b>	<b>19.5</b>	<b>22.3</b>	<b>29.0</b>	<b>29.4</b>	<b>34.6</b>
<b>Fully Diluted EPS (₹)</b>	<b>19.5</b>	<b>22.3</b>	<b>29.0</b>	<b>29.4</b>	<b>34.6</b>
% chg	68.0	14.4	30.1	1.5	17.8

**Balance sheet (Consolidated)**

Y/E Dec. (₹ cr)	CY2008	FY2009	CY2010	CY2011E	CY2012E
<b>SOURCES OF FUNDS</b>					
Equity Share Capital	7.2	7.2	7.1	7.1	7.1
Reserves & Surplus	350	427	387	472	552
<b>Shareholders' Funds</b>	<b>358</b>	<b>434</b>	<b>394</b>	<b>479</b>	<b>559</b>
Minority Interest	-	-	-	-	-
Total Loans	-	-	-	-	-
Deferred Tax Liability	-	-	-	-	-
<b>Total Liabilities</b>	<b>358</b>	<b>434</b>	<b>394</b>	<b>479</b>	<b>559</b>
<b>APPLICATION OF FUNDS</b>					
Gross Block	190	184	310	320	326
Less: Acc. Depreciation	64	64	85	112	140
<b>Net Block</b>	<b>126</b>	<b>120</b>	<b>225</b>	<b>208</b>	<b>186</b>
Capital Work-in-Progress	4	64	0	-	-
<b>Investments</b>	<b>118</b>	<b>118</b>	<b>26</b>	<b>20</b>	<b>20</b>
Current Assets	261	323	343	469	613
Cash	129	158	161	240	345
Loans & Advances	53	62	51	56	62
Other Current Assets	2	11	22	23	24
Debtors	77	92	109	150	182
Other	-	-	-	-	-
Current liabilities	160	200	214	233	275
<b>Net Current Assets</b>	<b>101</b>	<b>122</b>	<b>129</b>	<b>237</b>	<b>338</b>
DEFERRED TAX ASSETS (Net)	8	10	14	14	14
<b>Total Assets</b>	<b>358</b>	<b>434</b>	<b>394</b>	<b>479</b>	<b>559</b>

**Cash flow statement (Consolidated)**

Y/E Dec. (₹ cr)	CY2008	FY2009	CY2010	CY2011E	CY2012E
Profit before tax	187	207	267	271	332
Depreciation	14	15	21	27	28
Change in Working Capital	36	16	(14)	(24)	9
Less: Other income	22	23	70	20	20
Direct taxes paid	46	47	59	62	86
<b>Cash Flow from Operations</b>	<b>169</b>	<b>169</b>	<b>145</b>	<b>192</b>	<b>263</b>
Inc./ (Dec.) in Fixed Assets	0	(54)	(62)	(10)	(6)
Inc./ (Dec.) in Investments	(21)	1	91	6	-
Inc./ (Dec.) in loans and advances	(12)	(9)	11	(5)	(6)
Other income	22	23	70	20	20
<b>Cash Flow from Investing</b>	<b>(11)</b>	<b>(40)</b>	<b>111</b>	<b>11</b>	<b>8</b>
Issue/(Buy Back) of Equity	-	-	(79)	-	-
Inc./ (Dec.) in loans	-	-	-	-	-
Dividend Paid (Incl. Tax)	(59)	(85)	(168)	(124)	(166)
Others	(12)	(16)	(3)	-	-
<b>Cash Flow from Financing</b>	<b>(71)</b>	<b>(101)</b>	<b>(250)</b>	<b>(124)</b>	<b>(166)</b>
Inc./ (Dec.) in Cash	87	28	6	79	105
<b>Opening Cash balances</b>	<b>42</b>	<b>129</b>	<b>158</b>	<b>161</b>	<b>240</b>
<b>Closing Cash balances</b>	<b>129</b>	<b>158</b>	<b>163</b>	<b>240</b>	<b>345</b>

**Key ratios**

Y/E Dec.	CY2008	FY2009	CY2010	CY2011E	CY2012E
<b>Valuation Ratio (x)</b>					
P/E (on FDEPS)	43.1	37.7	29.0	28.6	24.2
P/E (on basic, reported EPS)	43.1	37.7	29.0	28.6	24.2
P/CEPS	39.3	34.5	26.3	25.3	21.8
P/BV	17.0	14.0	15.1	12.4	10.7
Dividend yield (%)	0.8	1.2	2.4	1.8	2.4
Market cap. / Sales	11.6	11.1	9.4	7.3	6.0
EV/Sales	11.3	10.8	9.2	7.0	5.7
EV/EBITDA	32.5	29.1	26.6	20.5	16.5
EV / Total Assets	16.3	13.4	14.7	11.9	10.0
<b>Per Share Data (₹)</b>					
EPS (Basic)	19.5	22.3	29.0	29.4	34.6
EPS (fully diluted)	19.5	22.3	29.0	29.4	34.6
Cash EPS	21.3	24.3	31.9	33.2	38.5
DPS	7.0	10.0	20.0	15.0	20.0
Book Value	49.5	60.0	55.6	67.5	78.8
<b>Dupont Analysis (%)</b>					
EBIT margin	32.1	34.3	31.1	30.7	31.5
Tax retention ratio	75.2	77.5	77.8	77.0	74.0
Asset turnover (x)	4.2	4.0	3.5	3.8	4.8
ROIC (Post-tax)	100.9	106.4	83.6	90.8	111.8
Cost of Debt (Post Tax)	-	-	-	-	-
Leverage (x)	-	-	-	-	-
Operating ROE	100.9	106.4	83.6	90.8	111.8
<b>Returns (%)</b>					
ROCE (Pre-tax)	52.2	46.6	47.4	57.6	60.1
Angel ROIC (Pre-tax)	141.2	183.6	130.2	118.0	151.0
ROE	44.3	40.6	49.6	47.8	47.3
<b>Turnover ratios (x)</b>					
Asset Turnover (Gross Block)	2.7	2.9	2.6	2.6	3.1
Asset Turnover (Net Block)	4.0	4.4	3.7	3.8	5.0
Asset Turnover (Total Assets)	1.6	1.4	1.5	1.9	1.9
Operating Income / Invested Capital	4.2	4.0	3.5	3.8	4.8
Inventory / Sales (days)	-	-	-	-	-
Receivables (days)	59	58	58	58	61
Payables (days)	104	122	120	100	93
Working capital cycle (ex-cash) (days)	(11)	(21)	(19)	(8)	(2)
<b>Solvency ratios (x)</b>					
Gross debt to equity	-	-	-	-	-
Net debt to equity	-	-	-	-	-
Net debt to EBITDA	-	-	-	-	-
Interest Coverage (EBIT / Interest)	-	-	-	-	-



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### Disclosure of Interest Statement

### CRISIL

1. Analyst ownership of the stock	No
2. Angel and its Group companies ownership of the stock	No
3. Angel and its Group companies' Directors ownership of the stock	No
4. Broking relationship with company covered	No

*Note: We have not considered any Exposure below ₹1 lakh for Angel, its Group companies and Directors*

### Ratings (Returns):

Buy (&gt; 15%)

Reduce (-5% to 15%)

Accumulate (5% to 15%)

Sell (&lt; -15%)

Neutral (-5 to 5%)