



(Investment Idea)

CRISIL Ltd

CRISIL, India's leading Credit Rating, Research & Information, Risk and Policy Advisory Company, has put up very good show for Q1 CY 2007.

Consolidated Income from Operations grew @ 66% to Rs.89.33 crore (Rs.53.80 crore). Rating income almost doubled to Rs. 28.88 crore (Rs. 14.85 crore as Q1 CY 2006 was quite subdued) mainly driven by volume growth in rating business driven by continued borrowings by banks and revival of securitization market. Newer initiatives, SME ratings and executive training also gained further traction. Advisory services income grew @ 31.2% to Rs. 25.91 crore while Research & Information Services income zoomed by 79.9% to Rs. 34.54 crore driven by high client retention and new business flows primarily from investment banking & private equity segments. With traction being seen in all activities, profitability margins improved significantly to 30.8% (18.7%). Consequently, PAT more than doubled to Rs. 18.09 crore (Rs. 8.92 crore). Going ahead, company expects healthy trend to continue for the rest of the year. Some of the newer rating avenues (like IPO grading, adoption of Basel II norms, etc.) together with securitisation and structured notes gaining momentum, rating business is expected to do well. Advisory and Research activities are also expected to report very robust growth in revenue and profitability as company is getting large assignments from variety of clients.

Company has multi-faceted relationship with S&P. About 500 people are working jointly on S&P's assignments, including overseas ratings and other areas. They cross sale each other's products and services across countries in different conferences and forums, which is giving Crisil very higher degree of visibility in global markets. Company has also commenced doing work for S&P on planning, systems, predictive modeling; in addition to overseas rating assignments.

Thus, company is set for robust growth in future. At CMP of Rs. 3022.70, the share (Rs. 10/- paid up) is trading at 24.2 times CY 2007 expected consolidated EPS of Rs.125. In view of above mentioned factors, we recommend to HOLD the share at CMP.

Disclosures:

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