

**CRISIL Limited**CMP ₹ 938.5  
HOLDResult Update  
Q4CY11

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- **Good operating performance for the quarter & year ended December 2011**
- **IREVNA & Pipal Research report sustained growth**
- **Rating business was supported by BLR & SME ratings as bond issuances remain sluggish due to high interest rates & liquidity constraints**
- **Margins have taken a hit on account of rising staff & other expenses**

CRISIL Limited has reported a good set of numbers for the quarter ended December 2011. The company clocked a 3% Q-Q & 23% Y-Y growth in its consolidated total income to ₹2,175Mn from ₹ 2,111Mn in September 2011 & ₹1,774Mn in December 2011 respectively. Growth in the current quarter is on the back of sustained performance of the Research (Irevna, Pipal), Ratings and Advisory businesses.

Income from the rating services have increased by 14% Y-Y to ₹ 851Mn for the quarter ended Dec'11 as against ₹746Mn for the quarter ended Dec'10. Over the past few quarters growth in this segment has remained slow due to less contribution from the high margin bond business. On the positive side, bank loan ratings (BLR) and SME ratings continue to show momentum.

Research segment delivered an excellent performance for Dec'11, by reporting a 34% Y-Y growth to ₹1,163Mn v/s ₹868Mn for the corresponding quarter of last year. IREVNA & the Pipal acquisition are adding great momentum to the research division (contributing almost half of the company's revenues) & also compensating for the slow growth in CRISIL's ratings business.

For the current quarter, operating profit was marginally up by 4% Y-Y to ₹ 728Mn v/s ₹ 702Mn for Q4CY10. Growth was affected due to higher personnel costs (up 535bps) & other expenses (up 132bps). This has pulled down the operating margins by 610bps to 34% (40%; Dec'10).

Reported bottom line for the quarter ended Dec'11 shows a growth of 10% to ₹ 558Mn (this include gains from sale of assets) as compared to ₹ 506Mn for the corresponding quarter of last year. Adjusting for the said one-time gains, PAT for Q4CY11 shows a de-growth of 8% to ₹ 471Mn as against ₹ 514Mn for Q4CY10.

**Year end performance brief: CY11 v/s CY10**

- Total consolidated income up by 28%
- Research business continued to lead with a 45% growth, ratings & advisory businesses post a growth of 15% & 11% respectively
- OPM at 33% v/s 35%, down 234bps due to higher opex
- Reported PAT (including one off Forex gain & profits from sale of assets) shows a rise of 0.5%. Adjusting for the same, net profit has increased by 19%

**Recent Developments:**

- CRISIL completed its buyback of 0.9Mn shares at an average price of ₹ 871/- per share totaling to ₹ 795Mn
- ESOP's issued to the tune of 0.9Mn shares, 1.32% of equity

**Our Call:**

At CMP of ₹ 938.5/-, CRISIL is quoting at 32.2x TTM reported earnings of ₹ 29.2/- per share. Currently the valuations look expensive but, going ahead we believe strong & sustainable growth in the company's Research business with added traction from the Ratings segment will propel it to attractive valuations. We maintain our 'HOLD' recommendation on the scrip.

**Quarterly Consolidated**

<b>Earnings Statement</b>	<b>Q4CY11</b>	<b>Q3CY11</b>	<b>Q4CY10</b>					
<b>YE December (₹ Mn.)</b>	<b>Dec 11</b>	<b>Sept 11</b>	<b>Q-Q(%)</b>	<b>Dec 10</b>	<b>Y-Y(%)</b>	<b>CY11</b>	<b>CY10</b>	<b>Y-Y(%)</b>
Net Revenues	2,175.9	2,095.2	3.9%	1,765.2	23.3%	8,069.6	6,284.4	28.4%
Other Operating Income	(1.3)	15.5	-108.2%	8.7	-114.6%	26.8	26.1	2.6%
Total Income	2,174.6	2,110.7	3.0%	1,773.9	22.6%	8,096.4	6,310.5	28.3%
Total Expenditure	1,446.4	1,361.6	6.2%	1,071.7	35.0%	5,444.6	4,095.8	32.9%
Operating Profit	728.2	749.1	-2.8%	702.2	3.7%	2,651.8	2,214.7	19.7%
Other Income	74.8	38.0	96.8%	18.2	311.2%	162.5	123.8	31.3%
EBITDA	803.0	787.1	2.0%	720.4	11.5%	2,814.3	2,338.5	20.3%
Depreciation	82.6	73.8	11.9%	56.2	46.9%	298.3	212.6	40.3%
EBIT	720.4	713.3	1.0%	664.2	8.5%	2,516.0	2,125.9	18.3%
Interest	0.0	0.0	-	0.0	-	0.0	0.0	-
PBT	720.4	713.3	1.0%	664.2	8.5%	2,516.0	2,125.9	18.3%
Tax	249.4	215.8	15.6%	150.3	66.0%	690.7	586.8	17.7%
Adjusted PAT	471.0	497.5	-5.3%	513.9	-8.3%	1,825.3	1,539.2	18.6%
Forex Gain/(Loss)	71.3	89.8	-	(8.2)	-	175.5	(37.5)	-
Extraordinary Items *	15.8	14.5	-	0.0	-	63.3	580.4	-
Prior Period Item **	0.0	0.0	-	0.0	-	0.0	(27.4)	-
Reported Net Profit	558.1	601.8	-7.3%	505.6	10.4%	2,064.2	2,054.7	0.5%
Equity Capital	70.1	71.0	-	71.0	-1.3%	70.1	71.0	-1.3%
Reported EPS (₹) [FV: ₹ 1]	8.0	8.5	-6.1%	7.1	11.8%	29.5	29.0	1.8%
<i>(* EOI for Q4 &amp; CY11 include gains from sale of assets and CY10 includes gain from sale of assets &amp; long term investments)</i>								
<i>(** Prior Period Item for CY10 is towards gratuity expense)</i>								
<b>Ratio Analysis</b>								
<b>Profitability</b>	<b>Dec 11</b>	<b>Sept 11</b>	<b>Q-Q(bps)</b>	<b>Dec 10</b>	<b>Y-Y(bps)</b>	<b>CY11</b>	<b>CY10</b>	<b>Y-Y(bps)</b>
OPM (%)	33.5%	35.5%	(200.4)	39.6%	(609.9)	32.8%	35.1%	(234.3)
EBITDA (%)	36.9%	37.3%	(36.6)	40.6%	(368.5)	34.8%	37.1%	(229.8)
EBIT (%)	33.1%	33.8%	(66.7)	37.4%	(431.2)	31.1%	33.7%	(261.3)
RPAT (%)	25.7%	28.5%	(284.9)	28.5%	(284.2)	25.5%	32.6%	(706.5)
<i>(Margins are based on reported numbers)</i>								
<b>Operational Parameters</b>	<b>Dec 11</b>	<b>Sept 11</b>	<b>Q-Q(bps)</b>	<b>Dec 10</b>	<b>Y-Y(bps)</b>	<b>CY11</b>	<b>CY10</b>	<b>Y-Y(bps)</b>
Staff Expense	42.0%	42.3%	(22.9)	36.7%	535.2	43.4%	40.9%	252.9
Establishment Expense	4.3%	3.7%	64.7	4.2%	14.7	4.0%	4.4%	(34.2)
Rent Expense	5.3%	5.6%	(23.6)	5.8%	(50.6)	5.6%	6.9%	(130.5)
Travel Expense	3.5%	3.1%	44.9	3.2%	29.0	3.1%	3.4%	(30.8)
Professional Fees	6.0%	6.7%	(72.4)	6.5%	(49.9)	6.7%	5.3%	140.1
Other Expense	5.4%	3.3%	209.7	4.0%	131.5	4.4%	4.0%	36.8
Effective Tax Rate	34.6%	30.3%	436.4	22.6%	1,199.4	27.5%	27.6%	(14.7)

### Segmental Consolidated Performance

Segment Revenues	Dec 11	Sept 11	Q-Q (%)	Dec 10	Y-Y (%)	CY11	CY10	Y-Y (%)
Rating Services	850.9	840.3	1.3%	745.8	14.1%	3,260.0	2,840.9	14.8%
Advisory Services	162.4	147.0	10.5%	151.8	7.0%	573.1	515.6	11.1%
Research Services	1,162.6	1,107.9	4.9%	867.6	34.0%	4,236.5	2,927.9	44.7%
Total	2,175.9	2,095.2	3.9%	1,765.2	23.3%	8,069.6	6,284.4	28.4%
Segment Revenue Mix	Dec 11	Sept 11	Q-Q(bps)	Dec 10	Y-Y(bps)	CY11	CY10	Y-Y(bps)
Rating Services	39.11%	40.11%	(100.1)	42.25%	(314.6)	40.40%	45.21%	(480.6)
Advisory Services	7.46%	7.02%	44.6	8.60%	(113.6)	7.10%	8.21%	(110.4)
Research Services	53.43%	52.88%	55.4	49.15%	428.2	52.50%	46.59%	591.0
Total	100.00%	100.00%	-	100.00%	-	100.00%	100.00%	-
Segment Profits	Dec 11	Sept 11	Q-Q (%)	Dec 10	Y-Y (%)	CY11	CY10	Y-Y (%)
Rating Services	330.3	352.5	-6.3%	306.6	7.7%	1,292.2	1,183.8	9.2%
Advisory Services	48.0	54.9	-12.6%	49.9	-3.9%	127.7	79.8	60.0%
Research Services	422.6	415.7	1.7%	335.6	26.0%	1,388.7	936.7	48.3%
Total	800.9	823.1	-2.7%	692.1	15.7%	2,808.6	2,200.3	27.6%
Segment Profit Mix	Dec 11	Sept 11	Q-Q(bps)	Dec 10	Y-Y(bps)	CY11	CY10	Y-Y(bps)
Rating Services	41.2%	42.8%	(158.5)	44.3%	(306.6)	46.0%	53.8%	(779.2)
Advisory Services	6.0%	6.7%	(68.2)	7.2%	(122.4)	4.5%	3.6%	91.8
Research Services	52.8%	50.5%	226.7	48.5%	429.0	49.4%	42.6%	687.3
Total	100.0%	100.0%	-	100.0%	-	100.0%	100.0%	-
Segment Margins	Dec 11	Sept 11	Q-Q(bps)	Dec 10	Y-Y(bps)	CY11	CY10	Y-Y(bps)
Rating Services	38.8%	41.9%	(313.4)	41.1%	(230.0)	39.6%	41.7%	(203.2)
Advisory Services	29.5%	37.4%	(781.3)	32.9%	(335.5)	22.3%	15.5%	680.1
Research Services	36.4%	37.5%	(117.2)	38.7%	(232.4)	32.8%	32.0%	78.7
Total	36.8%	39.3%	(248.0)	39.2%	(240.2)	34.8%	35.0%	(20.8)

## Consolidated Financials

Earnings Statement					Balance Sheet				
Particulars (₹ Mn.)	CY07	CY08	CY09	CY10	Particulars (₹ Mn.)	CY07	CY08	CY09	CY10
Total Revenues	4,043.3	5,145.6	5,372.7	6,284.4	Equity Capital	72.3	72.3	72.3	71.0
- Growth (%)	40.7%	27.3%	4.4%	17.0%	Reserves	2,692.2	3,502.9	4,265.9	3,873.6
Total Expenditure	2,871.7	3,355.0	3,379.7	4,133.3	Shareholders Funds	2,764.4	3,575.1	4,338.1	3,944.5
Operating Profit	1,171.7	1,790.6	1,993.1	2,151.1	Borrowed Funds	0.0	0.0	0.0	0.0
Other Income	91.6	216.2	230.0	375.3	Deferred Tax Liability	(32.7)	(78.3)	(100.7)	(142.3)
EBITDA	1,263.3	2,006.9	2,223.1	2,526.4	Total Liabilities	2,731.7	3,496.8	4,237.4	3,802.2
- Growth (%)	44.7%	58.9%	10.8%	13.6%	Fixed Assets	1,372.3	1,301.4	1,837.7	2,249.0
Depreciation	156.9	136.4	148.5	212.6	Investments	975.3	1,184.4	1,175.2	262.0
EBIT	1,106.4	1,870.5	2,074.6	2,313.8	Current Assets				
Interest	0.0	0.0	0.0	0.0	Sundry Debtors	897.4	771.5	922.1	1,085.9
PBT	1,106.4	1,870.5	2,074.6	2,313.8	Loans & Advances	407.2	526.0	618.1	510.1
Tax	269.7	464.7	466.8	586.8	Cash & Bank Balance	424.2	1,292.1	1,575.7	1,613.1
PAT Before E/O Items	836.6	1,405.7	1,607.8	1,727.1	Other Current Assets	3.9	17.2	110.9	221.3
- Growth (%)	37.9%	68.0%	14.4%	7.4%	Current Liabilities				
E/O Items	0.0	0.0	0.0	327.6	Liabilities	958.9	1,156.1	1,615.2	1,676.9
Reported PAT	836.6	1,405.7	1,607.8	2,054.7	Provisions	389.6	439.7	387.1	462.4
- Growth (%)	36.2%	68.0%	14.4%	27.8%	Net Current Assets	384.2	1,011.0	1,224.5	1,291.1
					Total Assets	2,731.7	3,496.8	4,237.4	3,802.2

  

Ratio Analysis				
Particulars	CY07	CY08	CY09	CY10
OPM (%)	29.0%	34.8%	37.1%	34.2%
EBITDA (%)	31.2%	39.0%	41.4%	40.2%
PAT (%)	20.7%	27.3%	29.9%	32.7%
Adj. EPS (₹)	11.6	19.5	22.3	29.0
P/E (x)	81.0	48.2	42.2	32.4
P/BV (x)	24.5	19.0	15.6	16.9
BVPS (₹)	38.3	49.5	60.0	55.6
Market Cap (₹ Mn.)	23,407.3	23,302.6	24,443.3	35,484.2
M Cap/Sales (x)	5.8	4.5	4.5	5.6
EV (₹ Mn.)	22,983.1	22,010.5	22,867.6	33,871.1
EV/EBITDA (x)	18.2	11.0	10.3	13.4
EV/Sales (x)	5.7	4.3	4.3	5.4
ROCE (%)	40.5%	53.5%	49.0%	60.9%
RONW (%)	30.3%	39.3%	37.1%	43.8%
Debtors T/o Days	79.9	54.0	61.8	62.2
Advances T/o Days	36.3	36.8	41.4	29.2
Creditors T/o Days	85.4	80.9	108.2	96.1
Wrkg Cap T/o Days (Ex.Cash)	(3.6)	(19.7)	(23.5)	(18.4)
Fixed Assets T/o (Gross)	2.2	2.7	2.9	2.0
DPS (₹)	2.5	7.0	10.0	20.0
Dividend Payout (%)	21.6%	36.0%	44.9%	69.1%
Dividend Yield (%)	0.3%	0.7%	1.1%	2.1%

  

Cash Flow				
Particulars (₹ Mn.)	CY07	CY08	CY09	CY10
Opening Cash & Bank	385.0	424.2	1,292.1	1,575.7
Profit After Tax	836.6	1,405.7	1,607.8	2,054.7
Invnt Income	(91.6)	(216.2)	(230.0)	(375.3)
Interest Paid	0.0	0.0	0.0	0.0
Depreciation	156.9	136.4	148.5	212.6
Deferred Taxation	(36.8)	(46.1)	(22.3)	(42.4)
Others	(64.9)	(67.7)	(141.9)	(3.8)
Change in Working Cap	1.7	241.1	70.1	(29.2)
CF - Operating Activities	802.0	1,453.2	1,432.2	1,816.6
Change in Fixed Assets	(317.5)	2.7	(543.0)	(619.4)
Change in Investments	(575.6)	(209.1)	9.1	913.2
Investment Income	91.6	216.2	230.0	375.3
CF - Investing Activities	(801.5)	9.8	(303.8)	669.1
Increase in Equity	253.2	(3.0)	1.0	(764.0)
Changes in Borrowings	0.0	0.0	0.0	0.0
Interest Paid	0.0	0.0	0.0	0.0
Dividend Paid	(214.5)	(592.0)	(845.8)	(1,684.2)
CF - Financing Activities	38.8	(595.1)	(844.8)	(2,448.3)
Net Change in Cash	39.2	867.9	283.5	37.4
Closing Cash & Bank Bal	424.2	1,292.1	1,575.7	1,613.1

# Disclaimer

## Disclosure of Interest Statement

1. Analyst Ownership of the scrip
2. PPFAS ownership of the scrip
3. PMS ownership of the scrip

Crisil Limited

- NO  
YES  
YES

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