

## CRISIL

### Performance Highlights

Particulars (₹ cr)	1QCY2012	1QCY2011	%chg (yoy)	4QCY2011	%chg (qoq)
Net sales	229.7	178.8	28.5	224.6	2.3
EBITDA	82.2	58.3	41.0	80.0	2.8
EBITDA margin (%)	35.8	32.6	317bp	35.6	18bp
Net profit	57.0	46.0	23.9	55.8	2.0

Source: Company, Angel Research

For 1QCY2012, CRISIL's net sales grew by 28.5% yoy to ₹230cr. The company reported a 317bp yoy expansion in OPM to 35.8%. Net profit increased by 23.9% yoy to ₹57cr. **We continue to remain Neutral on the stock.**

**Top line posts strong growth, EBITDA margin expands:** For 1QCY2012, CRISIL's top line reported 28.5% yoy growth to ₹230cr, led by strong growth in its rating segment, which witnessed 40.1% growth backed by strong growth in the bank loan rating segment. The company rated nearly 1,100 entities during 1QCY2012 vs. 2,700 entities in CY2011. The research segment continued its strong growth during the quarter, registering 22.9% yoy growth. The advisory segment also witnessed an increase in its revenue, registering 18.9% yoy growth. The company's EBITDA margin expanded by 317bp yoy, largely due to lower staff cost, which declined to 40.6% of sales in 1QCY2012 from 43.7% of sales in 1QCY2011. Net profit came in at ₹57cr, up 23.9% yoy; while margin contracted by 92bp yoy to 24.8%, largely due to increased tax rate. CRISIL's tax rate increased to 28.1% of PBT in 1QCY2012 vs. only 15.1% of PBT in 1QCY2011.

**Outlook and valuation:** We expect CRISIL to post a 17.2% CAGR in revenue and 16.5% CAGR in PAT over CY2011-13 and continue to maintain its leadership position. Despite the recent buy back, the stock is available at rich valuation of 26.7x CY2013E earnings, which is at the higher end of its historical range of 16.4x-29.9x and five-year median of 22x one-year forward EPS. **We continue to maintain our Neutral recommendation on the stock.**

### Key financials (Consolidated)

Y/E Dec. (₹ cr)	CY2010	CY2011	CY2012E	CY2013E
Net Sales	631	827	982	1,136
% chg	17.5	31.1	18.7	15.8
Net Profit	160	206	241	280
% chg	(0.2)	28.6	16.5	16.4
EPS (₹)	29.0	29.5	34.3	40.0
EBITDA Margin (%)	34.5	34.2	34.3	34.3
P/E (x)	36.9	36.3	31.1	26.7
RoE (%)	49.6	51.1	50.9	46.9
RoCE (%)	47.4	62.6	64.6	59.8
P/BV (x)	19.2	18.1	14.1	11.3
EV/Sales (x)	11.6	8.7	7.2	6.1
EV/EBITDA (x)	33.7	25.6	21.0	17.7

Source: Company, Angel Research

## NEUTRAL

CMP	₹1,069
Target Price	-

Stock Info	
Sector	Credit Rating
Market Cap (₹ cr)	7,491
Beta	0.6
52 Week High / Low	1150/648
Avg. Daily Volume	16,717
Face Value (₹)	1
BSE Sensex	17,151
Nifty	5,226
Reuters Code	CRSL.BO
Bloomberg Code	CRISIL@IN

Shareholding Pattern (%)	
Promoters	53.1
MF / Banks / Indian FIs	16.6
FII / NRIs / OCBs	11.1
Indian Public / Others	19.2

Abs. (%)	3m	1yr	3yr
Sensex	6.2	(11.5)	55.6
CRISIL	16.4	56.5	279.8

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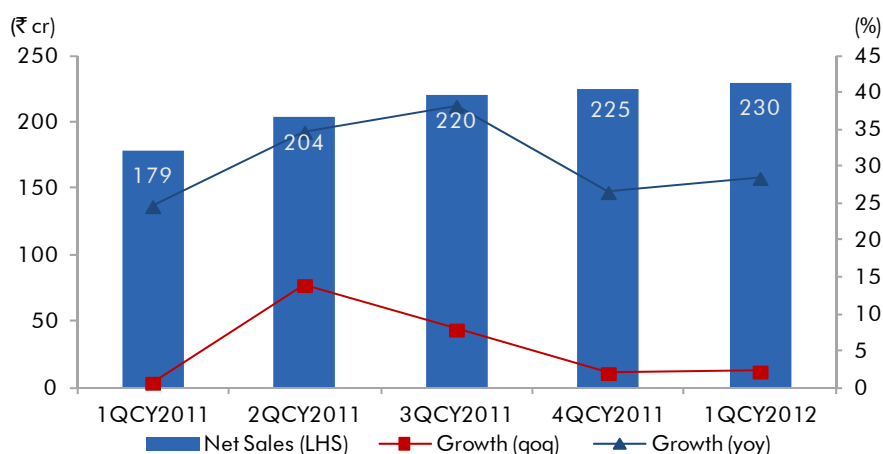
**Exhibit 1: 1QCY2012 – Performance highlights**

Particulars (₹ cr)	1QCY2012	1QCY2011	%chg (yoy)	4QCY2011	%chg (qoq)	CY2011	CY2010	%chg (yoy)
Net Sales	229.7	178.8	28.5	224.6	2.3	827.2	631.1	31.1
Total Expenditure	147.5	120.4	22.5	144.6	2.0	544.5	413.3	31.7
EBITDA	82.2	58.3	41.0	80.0	2.8	282.7	217.7	29.9
OPM (%)	35.8	32.6	317bp	35.6	18bp	34.2	34.5	(32)bp
Depreciation	7.8	6.8	15.4	8.3	(5.3)	29.8	21.3	40.3
EBIT	74.4	51.5	44.4	71.7	3.7	252.9	196.5	28.7
Interest	-	-	-	-	-	-	-	-
Other Income	4.8	2.6	81.8	9.1	(47.2)	22.6	70.4	(67.9)
PBT	79.2	54.2	46.2	80.8	(2.0)	275.5	266.9	3.2
Tax	22.2	8.2	171.4	24.9		69.1	58.7	
Exceptional Items	-	-	-	-	-	-	(2.7)	-
Net Profit	57.0	46.0	23.9	55.8	2.0	206.4	205.5	0.5
NPM (%)	24.8	25.7	(92)bp	24.9	(6.4)bp	25.0	32.6	(761)bp
Net Profit Adj. for other Income	52.2	43.4	20.4	46.8	11.6	183.8	135.0	36.1
EPS (₹)	8.1	6.5	25.5	8.0	2.0	29.5	29.0	1.8

Source: Company, Angel Research

**Revenue up 28.5% yoy due to strong growth in rating segment**

For 1QCY2012, CRISIL registered 28.5% yoy growth in its revenue to ₹230cr, led by strong growth in its rating segment, which witnessed 40.1% growth on the back of strong growth in the bank loan rating segment. The company rated nearly 1,100 entities in 1QCY2012 vs. 2,700 entities in CY2011. The research segment continued its strong growth during the quarter, registering 22.9% yoy growth to ₹115cr. The advisory segment also witnessed an increase in its revenue, registering 18.9% yoy growth to ₹13cr.

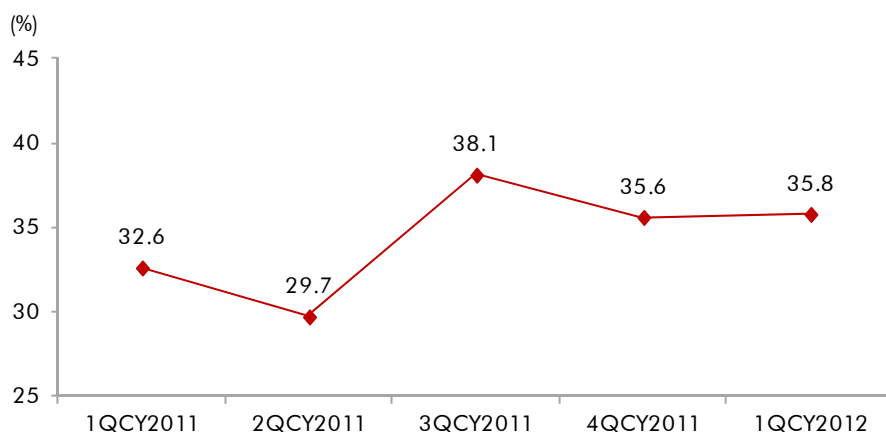
**Exhibit 2: Strong yoy growth in revenue continues**


Source: Company, Angel Research

### EBITDA improves, margins up

For 1QCY2012, EBITDA increased by 41.0% yoy to ₹82cr on the back of higher revenue and margin expansion. OPM improved on a yoy basis to 35.8% due to lower employee cost, which declined to 40.6% of sales in 1QCY2012 compared to 43.7% of sales in 1QCY2011.

#### Exhibit 3: OPM trend

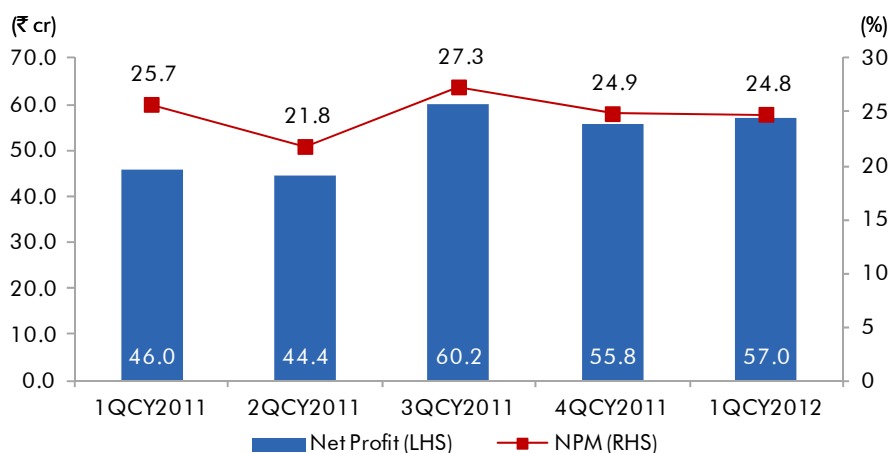


Source: Company, Angel Research

### PAT increases by 23.9%, but PAT margin declines

For 1QCY2012, PAT increased by 23.9% yoy to ₹57cr on account of higher revenue and OPM expansion during the quarter. Despite OPM expansion, PAT margin contracted by 92bp yoy to 24.8%, largely due to increased tax rate. CRISIL's tax rate during the quarter increased to 28.1% of PBT vs. only 15.1% of PBT in 1QCY2011.

#### Exhibit 4: PAT trend



Source: Company, Angel Research

### **Outlook and valuation**

We expect CRISIL to post a 17.2% CAGR in revenue and 16.5% CAGR in PAT over CY2011-13 and continue to maintain its leadership position. Despite the recent buy back, the stock is available at rich valuation of 26.7x CY2013E earnings, which is at the higher end of its historical range of 16.4x-29.9x and five-year median of 22x one-year forward EPS. **We continue to maintain our Neutral recommendation on the stock.**

**Profit and loss statement (Consolidated)**

Y/E Dec. (₹ cr)	CY2009	CY2010	CY2011	CY2012E	CY2013E
<b>Total operating income</b>	<b>537</b>	<b>631</b>	<b>827</b>	<b>982</b>	<b>1,136</b>
% chg	4.4	17.5	31.1	18.7	15.8
Total Expenditure	338	413	544	645	747
Establishment Expenses	55	71	78	107	124
Other Expenses	75	84	115	135	157
Personnel	208	258	352	402	466
Other	-	-	-	-	-
<b>EBITDA</b>	<b>199</b>	<b>218</b>	<b>283</b>	<b>337</b>	<b>390</b>
% chg	11.3	9.2	29.9	19.1	15.8
(% of Net Sales)	37.1	34.5	34.2	34.3	34.3
Depreciation & Amortisation	15	21	30	32	32
<b>EBIT</b>	<b>184</b>	<b>196</b>	<b>253</b>	<b>305</b>	<b>358</b>
% chg	11.5	6.5	28.7	20.6	17.2
(% of Net Sales)	34.3	31.1	30.6	31.1	31.5
Interest & other Charges	-	-	-	-	-
Adj. Other Income	23	68	23	20	21
(% of PBT)	11.1	25.6	8.2	6.2	5.5
Share in profit of Associates	-	-	-	-	-
<b>Recurring PBT</b>	<b>207</b>	<b>264</b>	<b>275</b>	<b>325</b>	<b>379</b>
% chg	10.9	27.3	4.3	18.0	16.4
Extraordinary Expense/(Inc.)	-	-	-	-	-
<b>PBT (reported)</b>	<b>207</b>	<b>264</b>	<b>275</b>	<b>325</b>	<b>379</b>
Tax	47	59	69	85	98
(% of PBT)	22.5	22.2	25.1	26.0	26.0
<b>PAT (reported)</b>	<b>161</b>	<b>205</b>	<b>206</b>	<b>241</b>	<b>280</b>
Add: Share of earnings of associate	-	-	-	-	-
Less: Minority interest (MI)	-	-	-	-	-
% chg	14.4	27.8	0.5	16.5	16.4
Prior period items	-	-	-	-	-
<b>PAT after MI (reported)</b>	<b>161</b>	<b>205</b>	<b>206</b>	<b>241</b>	<b>280</b>
<b>Extraordinary Income post tax</b>	<b>-</b>	<b>45</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>ADJ. PAT</b>	<b>161</b>	<b>160</b>	<b>206</b>	<b>241</b>	<b>280</b>
% chg	14.4	(0.2)	28.6	16.5	16.4
(% of Net Sales)	29.9	25.4	25.0	24.5	24.7
<b>Basic EPS (₹)</b>	<b>22.3</b>	<b>29.0</b>	<b>29.5</b>	<b>34.3</b>	<b>40.0</b>
<b>Fully Diluted EPS (₹)</b>	<b>22.3</b>	<b>29.0</b>	<b>29.5</b>	<b>34.3</b>	<b>40.0</b>
% chg	14.4	30.1	1.8	16.5	16.4

**Balance sheet (Consolidated)**

Y/E Dec. (₹ cr)	FY2009	CY2010	CY2011	CY2012E	CY2013E
<b>SOURCES OF FUNDS</b>					
Equity Share Capital	7.2	7.1	7.0	7.0	7.0
Preference Capital	-	-	-	-	-
Reserves & Surplus	427	387	406	524	657
<b>Shareholders' Funds</b>	<b>434</b>	<b>394</b>	<b>413</b>	<b>531</b>	<b>664</b>
Minority Interest	-	-	-	-	-
Total Loans	-	-	-	-	-
Deferred Tax Liability	-	-	-	-	-
<b>Total Liabilities</b>	<b>434</b>	<b>394</b>	<b>413</b>	<b>531</b>	<b>664</b>
<b>APPLICATION OF FUNDS</b>					
Gross Block	184	310	342	349	356
Less: Acc. Depreciation	64	85	115	147	179
<b>Net Block</b>	<b>120</b>	<b>225</b>	<b>227</b>	<b>202</b>	<b>177</b>
Capital Work-in-Progress	64	0	-	-	-
<b>Investments</b>	<b>118</b>	<b>26</b>	<b>16</b>	<b>16</b>	<b>16</b>
Current Assets	323	343	443	617	819
Cash	158	161	258	405	581
Loans & Advances	62	51	54	59	65
Other Current Assets	11	22	44	46	48
Debtors	92	109	88	108	125
Other	-	-	-	-	-
Current liabilities	200	214	285	317	360
<b>Net Current Assets</b>	<b>122</b>	<b>129</b>	<b>158</b>	<b>300</b>	<b>459</b>
DEFERRED TAX ASSETS (Net)	10	14	13	13	13
<b>Total Assets</b>	<b>434</b>	<b>394</b>	<b>413</b>	<b>531</b>	<b>664</b>

**Cash flow statement (Consolidated)**

Y/E Dec. (₹ cr)	FY2009	CY2010	CY2011	CY2012E	CY2013E
Profit before tax	207	267	275	325	379
Depreciation	15	21	30	32	32
Change in Working Capital	16	(14)	71	10	24
Less: Other income	23	70	23	20	21
Direct taxes paid	47	59	69	85	98
<b>Cash Flow from Operations</b>	<b>169</b>	<b>145</b>	<b>284</b>	<b>262</b>	<b>316</b>
Inc./ (Dec.) in Fixed Assets	(54)	(62)	(32)	(7)	(7)
Inc./ (Dec.) in Investments	1	91	10	-	-
Inc./ (Dec.) in loans and advances	(9)	11	(3)	(5)	(6)
Other income	23	70	23	20	21
<b>Cash Flow from Investing</b>	<b>(40)</b>	<b>111</b>	<b>(2)</b>	<b>8</b>	<b>8</b>
Issue/(Buy Back) of Equity	-	(79)	(79)	-	-
Inc./ (Dec.) in loans	-	-	-	-	-
Dividend Paid (Incl. Tax)	(85)	(168)	(90)	(123)	(147)
Others	(16)	(5)	(17)	-	-
<b>Cash Flow from Financing</b>	<b>(101)</b>	<b>(252)</b>	<b>(186)</b>	<b>(123)</b>	<b>(147)</b>
Inc./ (Dec.) in Cash	28	4	96	147	177
<b>Opening Cash balances</b>	<b>129</b>	<b>158</b>	<b>161</b>	<b>258</b>	<b>405</b>
<b>Closing Cash balances</b>	<b>158</b>	<b>161</b>	<b>258</b>	<b>405</b>	<b>581</b>

**Key ratios**

Y/E Dec.	FY2009	CY2010	CY2011	CY2012E	CY2013E
<b>Valuation Ratio (x)</b>					
P/E (on FDEPS)	48.0	36.9	36.3	31.1	26.7
P/E (on basic, reported EPS)	48.0	36.9	36.3	31.1	26.7
P/CEPS	44.0	33.5	31.7	27.5	24.0
P/BV	17.8	19.2	18.1	14.1	11.3
Dividend yield (%)	0.9	1.9	1.0	1.4	1.7
Market cap. / Sales	13.9	11.9	9.1	7.6	6.6
EV/Sales	13.6	11.6	8.7	7.2	6.1
EV/EBITDA	36.8	33.7	25.6	21.0	17.7
EV / Total Assets	16.9	18.6	17.5	13.3	10.4
<b>Per Share Data (₹)</b>					
EPS (Basic)	22.3	29.0	29.5	34.3	40.0
EPS (fully diluted)	22.3	29.0	29.5	34.3	40.0
Cash EPS	24.3	31.9	33.7	38.8	44.6
DPS	10.0	20.0	11.0	15.0	18.0
Book Value	60.0	55.6	59.0	75.8	94.8
<b>Dupont Analysis (%)</b>					
EBIT margin	34.3	31.1	30.6	31.1	31.5
Tax retention ratio	77.5	77.8	74.9	74.0	74.0
Asset turnover (x)	4.0	3.5	4.8	7.8	12.7
ROIC (Post-tax)	106.4	83.6	109.3	179.9	296.4
Cost of Debt (Post Tax)	-	-	-	-	-
Leverage (x)	-	-	-	-	-
Operating ROE	106.4	83.6	109.3	179.9	296.4
<b>Returns (%)</b>					
ROCE (Pre-tax)	46.6	47.4	62.6	64.6	59.8
Angel ROIC (Pre-tax)	183.6	130.2	145.9	243.2	400.6
ROE	40.6	49.6	51.1	50.9	46.9
<b>Turnover ratios (x)</b>					
Asset Turnover (Gross Block)	2.9	2.6	2.5	2.8	3.2
Asset Turnover (Net Block)	4.4	3.7	3.7	4.6	6.0
Asset Turnover (Total Assets)	1.4	1.5	2.0	2.1	1.9
Operating Income / Invested Capital	4.0	3.5	4.8	7.8	12.7
Inventory / Sales (days)	-	-	-	-	-
Receivables (days)	58	58	43	36	37
Payables (days)	122	120	110	112	109
Working capital cycle (ex-cash) (days)	(21)	(19)	(29)	(38)	(36)
<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%)