

Q3-CY22 Result Update

- ❑ CRISIL reported consolidated revenue from operations of ₹6,830 million up by 19.6% YoY. Despite the challenging environment, CRISIL saw growth across businesses during Q3-CY22, with strong demand for bank loan ratings in India, and for benchmarking and risk solutions in global market. However, corporate bond issuances were muted. It continues to ramp up investments in talent and technology to build capabilities for providing differentiated solutions to clients
- ❑ Increased working capital requirements and stronger bank balance sheets are leading to a surge in bank credit growth, mainly in the services and MSME sectors. By contrast, corporate bond issuances by quantum saw 3% degrowth on-year in Q3-CY22, while the number of capital markets issuers fell 14%.
- ❑ CRISIL ratings segment revenue increased by 12.9% YoY in Q3-CY22, driven by increased traction in bank loan ratings. With the addition of new clients, the business continues to strengthen its market-leading position in corporate bond ratings.
- ❑ CRISIL research segment revenue increased by 22.0% YoY in Q3-CY22 as it continued its strong performance with growth being driven by both global businesses Global Research & Risk Solutions (GR&RS) and Global Benchmarking Analytics (GBA). GR&RS saw several client wins; GBA closed major renewal deals and rolled out the Client Intelligence platform for global banks. Non-ratings India businesses have been consolidated under CRISIL Market Intelligence and Analytics (MI&A) following the merger of CRISIL Risk and Infrastructure Solutions Ltd and Pragmatix Services Pvt Ltd with CRISIL Ltd. MI&A business saw traction for its credit risk and regulatory reporting solutions
- ❑ The EBITDA from operations for the quarter was up by 3.4% YoY at ₹1,510 million with an operating margin of 22.2%. The company reported PAT of ₹1,478 million for the quarter, up by 31.0% YoY with a net margin of 21.6% translating into EPS of ₹20.23 per share for the quarter. The Board of Directors approved the payment of Interim dividend of ₹10 per share.
- ❑ We continue to remain positive on CRISIL given its position as India's foremost provider of ratings, data, research, analytics and solutions with strong track record of growth and global footprint providing services to 12,600+ clients. We maintain our **BUY** rating on the stock with a target price of **₹4000 per share**.

Financials:

(In ₹ mn)	Q3-CY22	Q3-CY21	Chg	9M-CY22	9M-CY21	Chg
Net Sales	6,830	5,710	19.6%	19,465	15,947	22.1%
Operating Expense	5,315	4,245	25.2%	14,496	11,814	22.7%
EBITDA	1,515	1,465	3.4%	4,969	4,133	20.2%
Other Income	653	328		1,207	683	
Depreciation	263	262		771	814	
EBIT	1,904	1,531	24.4%	5,405	4,002	35.0%
Interest	16	19		51	71	
PBT	1,888	1,512	24.9%	5,354	3,932	36.2%
Tax	410	384		1,290	960	
Exceptional Items	-	-		-	-	
PAT	1,479	1,129	31.0%	4,064	2,972	36.7%
Minority /Other Adj.	-	-		-	-	
Consolidated PAT	1,479	1,129	31.0%	4,064	2,972	36.7%

Margins	Q3-CY22	Q3-CY21	Chg BPS	9M-CY22	9M-CY21	Chg BPS
Operating Margin %	22.2%	25.7%	-348	25.5%	25.9%	-39
Net Margin %	21.6%	19.8%	188	20.9%	18.6%	224

Consolidated Financials:

(In ₹ mn)	CY-20	CY-21	CY-22E	CY-23E
Net Sales	19,818	23,007	25,768	29,118
Operating Expense	14,712	16,902	18,408	21,096
EBITDA	5,106	6,105	7,359	8,021
Other Income	832	770	863	975
Depreciation	1,211	1,060	1,199	1,354
EBIT	4,727	5,816	7,023	7,642
Interest	144	89	89	89
Misc. items	-	458	-	-
PBT	4,583	6,184	6,934	7,552
Tax	1,036	1,526	1,711	1,864
Minority Interest	-	-	-	-
PAT	3,547	4,658	5,223	5,688

Margins	CY-20	CY-21	CY-22E	CY-23E
Sales Growth %	14.4%	16.1%	12.0%	13.0%
Operating Margin %	25.8%	26.5%	28.6%	27.5%
Net Margin %	17.9%	20.2%	20.3%	19.5%

(In ₹ mn)	CY-20	CY-21	CY-22E	CY-23E
Liabilities				
Equity Share Capital	621	526	526	526
Reserves & Surplus	12,497	15,258	20,480	26,169
Total Shareholder's Funds	13,118	15,784	21,007	26,695
Minority Interest	-	-	-	-
Long-Term Liabilities	-	-	-	-
Other Long-term Liabilities	14,678	16,813	16,813	16,813
Deferred Tax Liability	(641)	(592)	(592)	(592)
Short-term Liabilities	8,280	8,198	9,182	10,375
Total	35,436	40,203	46,409	53,292
Assets				
Net Fixed Assets	7,761	6,663	6,970	7,307
Long-Term L&A	13,688	17,035	17,035	17,035
Non Current Investments	1,703	1,954	1,954	1,954
Other Non-Current Assets	49	34	34	34
Current Asset	12,235	14,517	20,416	26,963
Total	35,436	40,203	46,409	53,292

Key Ratios	CY-20	CY-21	CY-22E	CY-23E
EPS (₹)	48.6	63.8	71.5	77.9
P/E (x)	61.7	47.0	41.9	38.5
P/B (x)	16.7	13.9	10.4	8.2
ROE	27.0%	29.5%	24.9%	21.3%

Source: Company, Anand Rathi Research

Key Risks:

- ☐ Geopolitical Uncertainty
- ☐ Inflationary Pressures
- ☐ Evolving Regulatory Environment
- ☐ Information Security and Cyber-related Risks
- ☐ Adverse Currency Movement
- ☐ Intense Competition
- ☐ Reputation Risk

Rating and Target Price history:

CRISIL’s rating history & price chart



CRISIL’s rating details

Date	Rating	Target Price (₹)	Share Price (₹)
11-Apr-2022	Buy	4000	3289
30-Jul-2022	Buy	4000	3127
31-Oct-2022	Buy	4000	2998

Source: Bloomberg, Anand Rathi Research
NOTE: Prices are as on 31 October 2022 close.



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Ratings Guide (12 months)	Buy	Hold	Sell
Large Caps (>₹300Bn.)	15%	5%-10%	Below 5%
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