

CRISIL Dec-2020

Financial Results & Highlights

Brief Company Introduction

CRISIL (formerly Credit Rating Information Services of India Limited) is a global analytical company providing ratings, research, and risk and policy advisory services. CRISIL's majority shareholder is Standard & Poor's, a division of McGraw Hill Financial and provider of financial market intelligence.

Standalone Financials (In Crs)								
	Dec CY20	Dec CY19	YoY %	Sep CY20	QoQ %	CY20	CY19	YoY%
Sales	255	233	9.44%	268	-4.85%	996	970	2.68%
PBT	51	26	96.15%	67	-23.88%	218	197	10.66%
PAT	40	15	166.67%	50	-20.00%	167	136	22.79%
Consolidated Financials (In Crs)								
	Dec CY20	Dec CY19	YoY %	Sep CY20	QoQ %	CY20	CY19	YoY%
Sales	612	484	26.45%	522	17.24%	2076	1815	14.38%
PBT	134	132	2%	114	17.54%	458	492	-6.91%
PAT	110	95	16%	90	22.22%	355	344	3.20%

Detailed Results:

1. The current quarter was encouraging for the company with consolidated revenues rising by 26% while profits rose 16% YoY.
2. Excluding Greenwich Associates, revenues would have risen 2.6% YoY while profits would have risen 16.2% YoY.
3. In the CY20, the revenues have risen 14% YoY while profits have risen 3.2% YoY. Excluding Greenwich Associates, revenues would have risen 1.4% YoY while profits would have risen 17.8% YoY in the year.
4. The board of directors has declared a final interim dividend of Rs 14 per share. This brings up the total dividend in CY20 for CRISIL up to Rs 33 per share.
5. The rating business rose 6.5% YoY due rise in corporate bond issuances in the quarter.
6. The research business grew 40.9% in revenues in the quarter and 22.8% in CY20 due to rising traction in non-financial and credit risk. Greenwich Associates was also a big contributor to revenue growth in the quarter. Excluding Greenwich, revenue was lower by 1.0% in the quarter and higher by 1.2% for 2020.
7. India Research introduced new analytics and district-level risk tracking dashboards to aid decision-making as the pandemic unfolded.
8. The Advisory segment saw good traction with new mandates won in regulatory reporting, credit risk, and select city infrastructure projects. However, delays in clients' decision-making and implementation affected business. Revenues in this division grew 16.9% in the quarter with CY20 revenues falling 5.9% YoY.

- Greenwich Associates saw revenues of Rs 121 Cr and a post-tax loss of Rs 0.77 Cr. It also saw CY20 revenues come in at Rs 225.71 Cr and a post-tax loss of Rs 50.58 Cr.
- CRISIL launched India's first AIF benchmarks.

Investor Conference Call Highlights

- The management expects banks, mutual funds, or other segments to come back to normalcy in the second half of 2021 with the demand revival happening in a continuous manner leading to more demand for new borrowing and ratings.
- The management states that it has done quite a bit to restructure the business in ways to align our products and services to some of the emerging areas of interest for our customers like ESG.
- The company has started on the migration of back end processes for Greenwich which got delayed due to COVID-19.
- The company is also seeing increased adoption of AI and ML across clients and thus is expected to give forward more offerings in digital format.
- In AI/ML, the company is seeing opportunities in providing better calibrated models that will aid decision-making.
- The management admits that margins have fallen in the last few years due to headwinds in the research business and tapering of demand, especially on the regulatory remediation side. But it is seeing demand coming back on the risk side in the traded risk and the model risk sides.
- The company has shown margin expansion excluding the numbers from Greenwich and expects this expansion to continue as opportunities are rising in all segments.
- The main driving force in the advisory business is the deep domain knowledge in the different domains of infra advisory and other advisory services according to the management.
- Given the push on infra development by the Govt of India, the management remains optimistic about the prospects of the infra advisory business going forward.
- Typically, the pricing for capital market ratings is around 2.5 times that of the bank loan rating.

Analyst's View:

CRISIL has been a trusted financial service and information provider for a long time. They have established themselves as a reputed name in their operational fields of ratings, research, and advisory. The company saw a good response to the rating business while the research business grew steadily with the addition of Greenwich Associates to the company's umbrella. Although the profits for the company are subdued due to the addition of Greenwich without which PAT growth would have been 16% YoY in CY20, this drop in profits is expected to be temporary only. The advisory business is expected to rise going forward due to the revival in demand and govt push for infra development. It remains to be seen how long the Greenwich integration takes and when will it start delivering according to the company's expectations. Nonetheless, given the company's industry position and its financial resilience, CRISIL remains a pivotal stock in the rating sphere.



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