



5 MINUTE STOCK IDEA

BY SMART SYNC INVESTMENT ADVISORY SERVICES

CRISIL LIMITED

WHAT WE LIKE

LEADER IN THE CREDIT RATING INDUSTRY IN INDIA

CRISIL is the first credit rating agency formed in India in 1987. Rating business license needs strict government approvals. This creates significant barriers to entry for new players. Hence, there are only 5 rating agencies registered with the SEBI. This an enormous advantage for CRISIL which is the market leader in this business.

DIVERSIFIED SET OF CUSTOMERS

CRISIL has more than 1 lac customers worldwide. It has operations in the 4 major continents across India, USA, UK, Argentina, Poland, China, Hong Kong, Singapore & UAE. Its clients range from micro, small and medium companies to large corporates, investors, and top global financial institutions. CRISIL works with commercial and investment banks, insurance companies, private equity players and asset management companies globally.

LEVERAGE FROM S&P GLOBAL

CRISIL is majorly owned by S&P Global Inc., a leading provider of ratings, benchmarks, analytics, and data to the capital and commodity markets worldwide. This collaboration allows them to take advantage of S&P's global reach and also allow for access to proprietary technology and market data from the parent company.

STRONG BALANCE SHEET & CASH GENERATION ALONG WITH RISE IN CORE OPERATING SEGMENTS

Avg ROE for the last 10 yrs is 33% with zero debt. High CFO of above 380 Cr for the last 3 years has allowed CRISIL to make strategic investments like:

1. Pragmatix Services Pvt Ltd: 'data to intelligence' life cycle to the banking, financial services, and insurance (BFSI) vertical.
2. 8.9% stake in rival agency, CARE Ratings.
3. Greenwich Associates: A well-established and leading provider of proprietary benchmarking data, analytics, and qualitative, insights to more than 300 clients worldwide.

Given the resurgence of the global and Indian financial sector post-COVID, the company has performed well in the last 12 months with over a 20% YoY rise in revenues from core segments like ratings and research. The company has also introduced ESG ratings in India, adding a new dimension to its India business.

WHAT WE DON'T LIKE

CONSIDERABLE SLOWDOWN IN GROWTH

In the last 10 years the growth has not picked up the way market participants were expecting for the company.

Sales 10 Yr CAGR is 12%

Profit 10 Yr CAGR is 8%

For the company to become attractive for investors, it must show decent growth going forward. Although the company is trying to gain more traction using its emerging Advisory segment, it will still take some time for this segment to mature and bring back growth momentum to the company.

SOME BIG INVESTMENTS HAVE NOT YET DELIVERED ON THEIR POTENTIAL VALUE

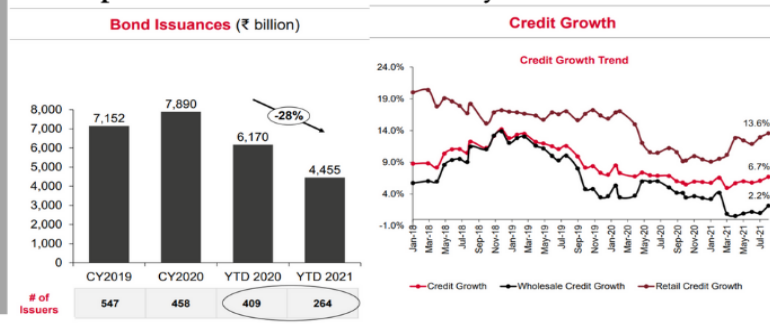
Pragmatix is a data analytics company. CRISIL bought the company for Rs 56Cr. While it suits well for the growth of the company in the long run, it is yet to deliver the numbers for the company.

NBFC CRISIS HAS BROUGHT THE MARKET REPUTATION OF RATINGS AGENCIES DOWN

The IL&FS episode from 2018 and the NBFC crisis after have raised some serious questions about the credibility of ratings agencies and their ratings. This has caused a lot of reputational damage to the industry. We at Smart Sync believe that these events should spur the ratings agencies to be more thorough and stringent in their rating recommendations going forward.

SUBDUED WHOLESALE CREDIT GROWTH

Although the Indian Financial sector has seen credit growth stabilize at 6.7% in 2021, wholesale credit growth has dropped a lot and is at a multi-year low of 2.2%. Bond issuances in the industry have also seen a drop of 28% YoY in YTD 2021. This can act as a dampener for the rating business if the pace of adding new customers and companies cannot compensate for this fall in industry bond issuances.



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