

Rating services

Company Overview

Crisil (Credit Rating Information Services of India Ltd), incorporated in 1987 is a global analytical company providing ratings, research, and risk and policy advisory services. The company is India's leading ratings agency and also the foremost provider of high-end research to the world's largest banks and leading corporations. It operates its business through two segments namely ratings and research. Rating services include credit ratings for corporates, banks, small and medium enterprises (SME), training in the credit rating field, credit analysis services, grading services and global analytical services while research segment provides equity research, industry reports, customized research assignments, subscription to data services and initial public offer grading. Currently, it has seven research centers worldwide through which it operates its business.

Investment Rationale

Strengthening its leadership position in rating business, going ahead

Over the decades, company has maintained a strong growth momentum by focusing on new client acquisition and maintaining traction in securitization market led by strong operating leverage benefits. The business saw a growth in corporate bond ratings with year-to-date issuances higher vs the corresponding period last year which lead to an increase in market share. Going ahead, company is expected to strengthen its leadership position by expanding geographically in new markets which will enable them to untap new opportunities.

Leveraging the research vertical has enable to offset global research headwinds

In Q2FY20, research vertical saw a drop in EBIT margin by 8.1% on yearly basis. However, good growth has seen in Indian markets across data and credit analytics and global benchmarking analytics for Corporate and Investment Banking industry. On the other hand, overall growth was impacted as risk & analytics continued to see a decline for US regulatory assignments such as CCAR and DFAST. Therefore, to offset such headwinds company continued to leverage its presence with buy side clients, offering data analytics and automation-based solutions.

Valuation and Outlook

CRISIL is the India's largest credit rating agency with a strong global parentage (S&P owns 68% of the entity) and a diversified business model. Further, its premium brand value, revival in research vertical, increasing traction in advisory segment and improvement in the number of issuance for bank loan ratings would enable to drive growth. On valuation front, we believe its revenue and pat has a potential to grow by 4% and 9% CAGR respectively for FY19-21E. Owing to the above factors, we assign a **Buy** Rating on the stock with a Target price of INR 2,023 implying a P/E multiple of 38x on FY21E.

Stock Rating

BUY	HOLD	SELL
> 15%	-5% to 15%	< -5%

Sector Outlook

Positive

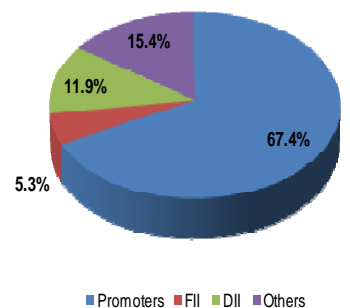
Stock

CMP (INR)	1,717
Target Price (INR)	2,023
NSE Symbol	CRISIL
Bloomberg	CRISIL IN
Reuters	CRSL.BO

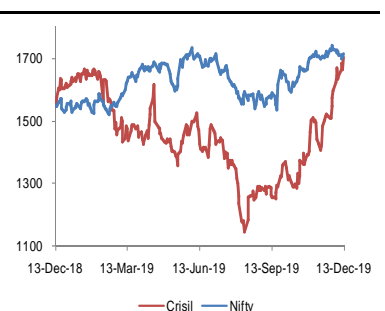
Key Data

Nifty	12,086
52WeekH/L(INR)	1727/1135
O/s Shares (Mn)	72.3
Market Cap (INR bn)	123
Face Value (INR)	1
Average volume	
3 months	35,380
6 months	28,330
1 year	22,490

Share Holding Pattern (%)



Relative Price Chart





Weekly Wealth

Key Financials					
YE March (Rs. mn)	CY16	CY17	CY18	CY19E	CY20E
Total Income	15,475	16,585	17,485	18,540	20,494
<i>Revenue Growth (Y-o-Y)</i>	12.1%	7.2%	5.4%	6.0%	10.5%
Profit Before Tax	4,930	4,807	5,446	5,924	6,012
<i>Growth (Y-o-Y)</i>	11.3%	(2.5%)	13.3%	8.8%	1.5%
Net Profit	2,943	3,044	3,631	3,942	3,852
<i>Net Profit Growth (Y-o-Y)</i>	3.2%	3.4%	19.3%	8.6%	(2.3%)
EPS	41.3	42.5	50.4	51.1	53.3
<i>Diluted EPS Growth (Y-o-Y)</i>	3.1%	2.9%	18.6%	1.5%	4.3%
Key Ratios					
EBIDTA (%)	31.9%	29.0%	31.1%	32.0%	29.3%
NPM (%)	19.0%	18.4%	20.8%	21.3%	18.8%
RoE (%)	29.9%	29.0%	32.0%	33.2%	31.0%
RoCE (%)	50.0%	45.8%	47.9%	49.9%	48.4%
Valuation Ratios					
P/E (x)	41.5x	40.4x	34.0x	33.6x	32.2x
EV/EBITDA	24.8x	25.6x	22.5x	20.6x	20.3x
P/BV (x)	12.6x	11.8x	10.9x	10.4x	10.0x
Market Cap. / Sales (x)	8.0x	7.5x	7.1x	6.7x	6.0x

Source: Company, BP Equities Research

**Disclaimer Appendix****Analyst (s) holding in the Stock : Nil****Analyst (s) Certification:**

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Week Gone**Corporate Office:**

4th floor,
Rustom Bldg,
29, Veer Nariman Road, Fort,
Mumbai-400001
Phone- +91 22 6159 6464
Fax-+91 22 6159 6160
Website- www.bpwealth.com

Registered Office:

24/26, 1st Floor, Cama Building,
Dalal street, Fort,
Mumbai-400001
BP Wealth Management Pvt. Ltd.
CIN No: U67190MH2005PTC154591
BP Equities Pvt. Ltd.
CIN No: U67120MH1997PTC107392