

<b>CRISIL Limited</b>	<b>CMP Rs. 5,563.7</b> <b>REDUCE</b>	<b>Result Update</b> <b>Q1CY10</b>
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## Rich Valuations!

CRISIL Limited has reported a momentous financial performance by reporting 17% rise in Consolidated Total Income for the quarter ended Q1CY10 to Rs. 1,433.5Mn. from Rs. 1,228.8Mn. in Q1CY09. CRISIL Ratings continued to grow and maintained its leadership position in the Indian market. During the quarter, the company announced its 3,500th BLR. SME Ratings also continued its growth with CRISIL assigning its 10,000th SME rating in the current quarter.

### Quarterly Performance:

The revenues from Rating services have improved by 10% Y-Y to Rs. 650Mn. for the quarter ended Mar'10 as against Rs. 590Mn. for the quarter ended Mar'09, driven by strong performance in Bank Loan ratings (BLR) & Small & Medium Enterprise ratings (SME). Research services segment, recorded a 20% Y-Y growth to Rs. 646Mn. in the current quarter v/s Rs. 537Mn. for the corresponding quarter of last year and revenues from Advisory services were at Rs. 131.5Mn for Q1CY10 as against Rs. 84Mn. for Q1CY09, a growth of 57% Y-Y.

The other income for the quarter ended Mar'10, reported a substantial increase of 310% Y-Y to Rs. 208Mn. from Rs. 51Mn. for the quarter ended Mar'09, on account of profit on sale of office space vacated as part of CRISIL's relocation plan.

Expenses were managed well and the margins have been decent driven by increasing share of Advisory and Research businesses, which increased its share in the revenue mix from 7% to 9% and 44% to 45% respectively. As a % of sales, staff cost has shown a dip of 116 bps to 40% (v/s 41%), though other expenses have risen by 127.5 bps to 6% (v/s 5%) on account of forex loss of Rs. 38Mn. Reported EBITDA margins for Q1CY10 have increased by 569 bps Y-Y to 47% as compared to 41% for Q1CY09.

Overall the management commentary has been quite positive on the BLR & SME business, where CRISIL has garnered a higher market share (53%), and this too while commanding a price premium over competition. Further, the Board of Directors has declared an interim dividend of Rs. 25/- per share and a special interim dividend of Rs. 100/- per share.

### Valuations:

The scrip has moved by almost 25% over our Q4CY09 recommendation. We have made minor adjustments to our CY10E earnings on account of the reported CY09 annual and Q1CY10 numbers and also introduce our CY11 estimates. At CMP of Rs. 5,563.7/-, CRISIL is quoting at 22.5x CY10E and 20.6x CY11E earnings. We believe that the valuations are rich, thus downgrade the stock from HOLD to REDUCE with a price target of Rs. 4,864/- (~13% downside).

### Quarterly Analysis

Earnings Statement	Q1CY10	Q4CY09	Q1CY09					
YE December (Rs. Mn.)	Mar 10	Dec 09	Q-Q(%)	Mar 09	Y-Y(%)	CY09	CY08	Y-Y(%)
Net Revenues	1,427.9	1,480.2	-3.5%	1,210.6	18.0%	5,372.7	5,145.6	4.4%
Other Operating Income	5.6	0.5	941.3%	18.3	-69.3%	24.8	116.3	-78.7%
Total Operating Income	1,433.5	1,480.7	-3.2%	1,228.8	16.7%	5,397.5	5,261.9	2.6%
Total Expenditure	971.8	925.4	5.0%	780.7	24.5%	3,387.2	3,389.9	-0.1%
Operating Profit	461.7	555.4	-16.9%	448.2	3.0%	2,010.3	1,872.0	7.4%
Other Income	207.9	44.3	368.9%	50.7	310.3%	212.8	134.9	57.8%
EBITDA	669.6	599.7	11.7%	498.8	34.2%	2,223.1	2,006.9	10.8%
Depreciation	52.1	36.1	44.2%	31.7	64.1%	148.5	136.4	8.9%
EBIT	617.5	563.6	9.6%	467.1	32.2%	2,074.6	1,870.5	10.9%
Interest	0.0	0.0	-	0.0	-	0.0	0.0	-
PBT	617.5	563.6	9.6%	467.1	32.2%	2,074.6	1,870.5	10.9%
Tax	156.0	123.6	26.2%	112.5	38.7%	466.8	464.7	0.5%
PAT	461.5	440.0	4.9%	354.6	30.1%	1,607.8	1,405.7	14.4%
Adjusted PAT	461.5	440.0	4.9%	354.6	30.1%	1,607.8	1,352.8	18.9%
PAT from Discontinued Ops.	0.0	0.0	-	0.0	-	0.0	53.0	-
Reported Net Profit	461.5	440.0	4.9%	354.6	30.1%	1,607.8	1,405.7	14.4%
Equity Capital	72.3	72.3	-	72.3	-	72.3	72.3	-
Reported EPS	60.9	60.9	0.0%	49.1	24.1%	222.5	194.6	14.4%
Adjusted EPS	63.9	60.9	4.9%	49.1	30.1%	222.5	187.2	18.9%
<b>Ratio Analysis</b>								
<b>Profitability</b>	<b>Mar 10</b>	<b>Dec 09</b>	<b>Q-Q(bps)</b>	<b>Mar 09</b>	<b>Y-Y(bps)</b>	<b>CY09</b>	<b>CY08</b>	<b>Y-Y(bps)</b>
OPM (%)	32.3%	37.5%	(518.3)	37.0%	(468.3)	37.4%	36.4%	103.6
EBITDA (%)	46.9%	40.5%	638.1	41.2%	568.9	41.4%	39.0%	237.6
EBIT (%)	43.2%	38.1%	517.5	38.6%	466.4	38.6%	36.4%	226.3
PAT (%)	32.3%	29.7%	259.8	29.3%	302.9	29.9%	27.3%	260.6
<b>Operational Parameters</b>								
<b>Operational Parameters</b>	<b>Mar 10</b>	<b>Dec 09</b>	<b>Q-Q(bps)</b>	<b>Mar 09</b>	<b>Y-Y(bps)</b>	<b>CY09</b>	<b>CY08</b>	<b>Y-Y(bps)</b>
Staff Expense	39.9%	35.2%	472.4	41.0%	(116.0)	38.7%	37.2%	153.7
Establishment Expense	4.3%	4.9%	(59.6)	5.3%	(96.6)	4.9%	5.0%	(12.7)
Rent Expense	7.8%	4.9%	286.1	5.8%	193.9	5.4%	5.1%	27.4
Travel Expense	3.4%	3.7%	(32.7)	2.5%	83.0	3.1%	4.8%	(173.0)
Professional Fees	4.3%	7.7%	(345.8)	5.0%	(75.8)	6.2%	6.7%	(42.9)
Other Expense	6.0%	6.1%	(7.1)	4.8%	127.5	4.8%	7.2%	(236.0)
Effective Tax Rate	25.3%	21.9%	333.4	24.1%	118.4	22.5%	24.8%	(234.3)

### Segmental Performance Review

Segment Revenues	Mar 10	Dec 09	Q-Q (%)	Mar 09	Y-Y (%)	CY09	CY08	Y-Y (%)
Rating Services	650.4	633.8	2.6%	589.7	10.3%	2,389.0	1,887.8	26.6%
Advisory Services	131.5	194.4	-32.3%	84.0	56.5%	599.1	608.8	-1.6%
Research Services	645.9	652.0	-0.9%	536.8	20.3%	2,384.6	2,261.6	5.4%
Discontinued Operations (Advisory)	0.0	0.0	-	0.0	-	0.0	501.3	-
<b>Total</b>	<b>1,427.9</b>	<b>1,480.2</b>	<b>-3.5%</b>	<b>1,210.6</b>	<b>18.0%</b>	<b>5,372.7</b>	<b>5,259.5</b>	<b>2.2%</b>
Segment Revenue Mix	Mar 10	Dec 09	Q-Q(bps)	Mar 09	Y-Y(bps)	CY09	CY08	Y-Y(bps)
Rating Services	45.6%	42.8%	273.5	48.7%	(316.3)	44.5%	35.9%	857.3
Advisory Services	9.2%	13.1%	(392.2)	6.9%	227.1	11.2%	11.6%	(42.4)
Research Services	45.2%	44.0%	118.7	44.3%	89.2	44.4%	43.0%	138.3
Discontinued Operations (Advisory)	0.0%	0.0%	-	0.0%	-	0.0%	9.5%	-
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>-</b>	<b>100.0%</b>	<b>-</b>	<b>100.0%</b>	<b>100.0%</b>	<b>-</b>
Segment Profits	Mar 10	Dec 09	Q-Q (%)	Mar 09	Y-Y (%)	CY09	CY08	Y-Y (%)
Rating Services	288.1	259.0	11.2%	278.8	3.4%	1,007.4	908.1	10.9%
Advisory Services	24.0	63.9	-62.4%	(14.0)	-271.1%	130.1	146.8	-11.4%
Research Services	176.9	229.3	-22.8%	179.5	-1.4%	861.1	819.8	5.0%
Discontinued Operations (Advisory)	0.0	0.0	-	0.0	-	0.0	69.8	-
<b>Total</b>	<b>489.1</b>	<b>552.2</b>	<b>-11.4%</b>	<b>444.2</b>	<b>10.1%</b>	<b>1,998.6</b>	<b>1,944.6</b>	<b>2.8%</b>
Segment Profit Mix	Mar 10	Dec 09	Q-Q(bps)	Mar 09	Y-Y(bps)	CY09	CY08	Y-Y(bps)
Rating Services	58.9%	46.9%	1,201.0	62.7%	(383.4)	50.4%	46.7%	370.7
Advisory Services	4.9%	11.6%	(666.2)	-3.2%	806.2	6.5%	7.6%	(104.4)
Research Services	36.2%	41.5%	(534.7)	40.4%	(422.9)	43.1%	42.2%	92.6
Discontinued Operations (Advisory)	0.0%	0.0%	-	0.0%	-	0.0%	3.6%	-
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0.0</b>	<b>100.0%</b>	<b>0.0</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0.0</b>
Segment Margins	Mar 10	Dec 09	Q-Q(bps)	Mar 09	Y-Y(bps)	CY09	CY08	Y-Y(bps)
Rating Services	44.3%	40.9%	343.4	47.3%	(296.9)	42.2%	48.1%	(593.7)
Advisory Services	18.2%	32.9%	(1,461.6)	-16.7%	3,492.6	21.7%	24.1%	(241.1)
Research Services	27.4%	35.2%	(777.4)	33.4%	(604.6)	36.1%	36.3%	(13.9)
<b>Total</b>	<b>34.3%</b>	<b>37.3%</b>	<b>(305.2)</b>	<b>36.7%</b>	<b>(244.5)</b>	<b>37.2%</b>	<b>37.0%</b>	<b>22.6</b>

## Financials

Earnings Statement					Balance Sheet				
Particulars (Rs. Mn.)	CY08	CY09	CY10E	CY11E	Particulars (Rs. Mn.)	CY08	CY09	CY10E	CY11E
Total Revenues	5,145.6	5,372.7	5,748.8	6,208.7	Equity Capital	72.3	72.3	72.3	72.3
- Growth (%)	27.3%	4.4%	7.0%	8.0%	Reserves	3,502.9	4,265.9	4,994.2	5,847.0
Total Expenditure	3,355.0	3,379.7	3,560.0	3,825.5	Shareholders Funds	3,575.1	4,338.1	5,066.4	5,919.2
Operating Profit	1,790.6	1,993.1	2,188.8	2,383.2	Borrowed Funds	0.0	0.0	0.0	0.0
- Growth (%)	52.8%	11.3%	9.8%	8.9%	Deferred Tax Liability	(78.3)	(100.7)	(135.1)	(172.7)
Other Income	216.2	230.0	253.1	278.4	Total Liabilities	3,496.8	4,237.4	4,931.3	5,746.5
EBITDA	2,006.9	2,223.1	2,441.9	2,661.6	Fixed Assets	1,301.4	1,837.7	1,746.0	1,338.4
- Growth (%)	58.9%	10.8%	9.8%	9.0%	Investments	1,184.4	1,175.2	1,225.2	1,325.2
Depreciation	136.4	148.5	151.7	157.5	Current Assets				
EBIT	1,870.5	2,074.6	2,290.2	2,504.1	Sundry Debtors	771.5	922.1	990.1	1,069.3
Interest	0.0	0.0	0.0	0.0	Loans & Advances	526.0	618.1	670.7	724.4
PBT	1,870.5	2,074.6	2,290.2	2,504.1	Cash & Bank Balance	1,292.1	1,575.7	2,316.0	3,430.1
Tax	464.7	466.8	504.6	551.7	Other Current Assets	17.2	110.9	160.9	210.9
Reported PAT	1,405.7	1,607.8	1,785.6	1,952.4	Current Liabilities				
- Growth (%)	68.0%	14.4%	11.1%	9.3%	Liabilities	1,156.1	1,615.2	1,756.6	1,897.1
					Provisions	439.7	387.1	421.0	454.7
					Net Current Assets	1,011.0	1,224.5	1,960.1	3,082.9
					Total Assets	3,496.8	4,237.4	4,931.3	5,746.5
Ratio Analysis					Cash Flow				
Particulars	CY08	CY09	CY10E	CY11E	Particulars (Rs. Mn.)	CY08	CY09	CY10E	CY11E
OPM (%)	34.8%	37.1%	38.1%	38.4%	Opening Cash & Bank	424.2	1,292.1	1,575.7	2,316.0
EBITDA (%)	39.0%	41.4%	42.5%	42.9%	Profit After Tax	1,405.7	1,607.8	1,785.6	1,952.4
PAT (%)	27.3%	29.9%	31.1%	31.4%	Invt Income	(216.2)	(230.0)	(253.1)	(278.4)
EPS (Rs.)	194.6	222.5	247.1	270.2	Interest Paid	0.0	0.0	0.0	0.0
P/E (x)	28.6	25.0	22.5	20.6	Depreciation	136.4	148.5	151.7	157.5
P/BV (x)	11.2	9.3	7.9	6.8	Deferred Taxation	(46.1)	(22.3)	(34.4)	(37.6)
BVPS (Rs.)	494.8	600.4	701.2	819.3	Others	(67.7)	(65.8)	0.0	0.0
Market Cap (Rs. Mn.)	40,197.4	40,197.4	40,197.4	40,197.4	Change in Working Cap	241.1	70.1	4.7	(8.7)
M Cap/Sales (x)	7.8	7.5	7.0	6.5	CF - Operating Activities	1,453.2	1,508.3	1,654.6	1,785.4
EV (Rs. Mn.)	38,905.3	38,621.7	37,881.4	36,767.3	Change in Fixed Assets	2.7	(619.1)	(60.0)	250.0
EV/EBITDA (x)	19.4	17.4	15.5	13.8	Change in Investments	(209.1)	9.1	(50.0)	(100.0)
EV/Sales (x)	7.6	7.2	6.6	5.9	Investment Income	216.2	230.0	253.1	278.4
ROCE (%)	53.5%	49.0%	46.4%	43.6%	CF - Investing Activities	9.8	(379.9)	143.1	428.4
RONW (%)	39.3%	37.1%	35.2%	33.0%	Increase in Equity	(3.0)	1.0	0.0	0.0
Debt/Equity Ratio (x)	0.0	0.0	0.0	0.0	Changes in Borrowings	0.0	0.0	0.0	0.0
Debtors T/o Days	54.0	61.8	62.0	62.0	Interest Paid	0.0	0.0	0.0	0.0
Advances T/o Days	36.8	41.4	42.0	42.0	Dividend Paid	(592.0)	(845.8)	(1,057.3)	(1,099.6)
Creditors T/o Days	80.9	108.2	110.0	110.0	CF - Financing Activities	(595.1)	(844.8)	(1,057.3)	(1,099.6)
Wrkg Cap T/o Days	(19.7)	(23.5)	(22.3)	(20.1)	Net Change in Cash	867.9	283.5	740.3	1,114.1
Fixed Assets T/o (Gross)	2.7	2.8	2.9	3.1	Closing Cash & Bank Bal	1,292.1	1,575.7	2,316.0	3,430.1
DPS (Rs.)	70.0	100.0	125.0	130.0					
Dividend Payout (%)	36.0%	44.9%	50.6%	48.1%					
Dividend Yield (%)	1.3%	1.8%	2.2%	2.3%					

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## Disclosure of Interest Statement

1. Analyst Ownership of the scrip
2. PPFAS ownership of the scrip
3. PMS ownership of the scrip

Crisil Limited

NO  
YES  
YES

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