

Crisil Limited

CMP Rs. 4,853.0
HOLD

Result Update
Q4CY09

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Steady Numbers!

CRISIL Limited has reported a steady financial performance by reporting 7% rise in Consolidated Total Income for the quarter ended Q4CY09 to Rs. 1,481Mn from Rs. 1,384Mn in Q4CY08. However, the numbers are not purely comparable on account of the 90% stake sale in its erstwhile wholly owned subsidiary Gas Strategies Group Limited on December 10, 2008. After adjusting the revenues for discontinued business, top line grew by 17% from Rs. 1,270Mn in Q4CY08 to Rs. 1,481Mn for the current quarter. This growth was purely driven by the Rating and Research businesses.

Adjusted P&L (Rs. Mn)	Q4CY09	Q3CY09	Q-Q(%)	Q4CY08	Y-Y(%)
Rating Services	633.8	557.7	13.6%	526.2	20.4%
Advisory Services	194.4	144.5	34.5%	265.9	-26.9%
Research Services	652.0	624.1	4.5%	584.4	11.6%
Other Operating Income	0.5	2.5	-78.7%	7.8	-93.1%
Total Income	1,480.7	1,328.8	11.4%	1,384.3	7.0%
Less: Discontinued Operations	0.0	0.0	-	113.9	-
Adjusted Revenues	1,480.7	1,328.8	11.4%	1,270.4	16.6%

Quarterly Performance:

The revenues from Rating services have improved by 20% Y-Y to Rs. 634Mn for the quarter ended Dec'09 as against Rs. 526Mn for the quarter ended Dec'08, driven by strong performance in bank loan ratings & SME ratings and that of Research services segment improved by 12% to Rs. 652Mn in the current quarter v/s Rs. 584Mn for the corresponding quarter of last year.

As a % of sales, staff cost and other expenses have shown a dip of 553 bps to 35% (v/s 40.5%) and 896 bps to 6% (v/s 15%) respectively. Thus, reported operating margins (OPM) of the company increased substantially by 998 bps Y-Y to 37.5% pushing operating profit up by 46.5% to Rs. 555Mn (Rs. 379Mn)

Further other income has decreased by 47% Y-Y to Rs. 44Mn for Dec'09 v/s Rs. 83Mn for Dec'08. The company has accounted forex gain of Rs. NIL Mn in the current quarter as against a gain of Rs. 54Mn in the corresponding quarter of previous year. PBT grew by 32.5% to Rs. 564Mn in Q4CY09 as against Rs. 425Mn in Q4CY08. The effective tax rate of the company has declined by 463 bps to 22% (v/s 27%), lifting up Net Profit by 41% to Rs. 440Mn as compared to Rs. 312Mn for the corresponding quarter of last year.

Full Year Performance:

CRISIL registered a moderate 3.6% Y-Y consolidated total income of Rs. 5,373Mn for CY09, up from Rs. 5,146Mn for CY08. EBITDA margins jumped 238 bps Y-Y to 41% for CY09 (v/s 39%). For the year under review, effective tax rate for the company decreased 234 bps Y-Y to 22.5% (v/s 25%). CRISIL's consolidated PAT from continuing operations, for CY09 was at Rs. 1,608Mn from Rs. 1,359Mn for CY08, a rise of 19% Y-Y. Full year EPS, was at Rs. 222.5/- per share (v/s Rs. 187/- per share).

On a Segmental basis, revenues from Rating services and Research services jumped 27% and 6% Y-Y for CY09 to Rs. 2,389Mn (Rs. 1,888Mn) and Rs. 2,384Mn (Rs. 2,262Mn) respectively. But, revenues from Advisory services for CY09 dipped marginally by 1.6% Y-Y to Rs. 599Mn (Rs. 609Mn).

The Board of Directors have declared a final dividend of Rs. 25/- per share, following three interim dividends of Rs. 25/- per share declared earlier in the year; in total the dividend paid for 2009 was Rs. 100/- per share (2008 @ Rs. 70/- per share).

Valuations:

For CY09, CRISIL surpassed our top and bottom line estimates marginally by 0.4% and 2% respectively. We have kept our CY10E earnings unchanged. At CMP of Rs. 4,853/-, the scrip is quoting at 19x CY10E earnings of Rs. 252/- We maintain our HOLD recommendation with a price target of Rs. 5,035/- (20x CY10E earnings).

Quarterly Analysis : Consolidated

Earnings Statement	Q4CY09	Q3CY09	Q4CY08					
YE December (Rs. Mn.)	Dec 09	Sep 09	Q-Q(%)	Dec 08	Y-Y(%)	CY09	CY08	Y-Y(%)
Net Revenues	1,480.2	1,326.3	11.6%	1,376.5	7.5%	5,372.7	5,145.6	4.4%
Other Operating Income	0.5	2.5	-78.7%	7.8	-93.1%	24.8	116.3	-78.7%
Total Operating Income	1,480.7	1,328.8	11.4%	1,384.3	7.0%	5,397.5	5,261.9	2.6%
Total Expenditure	925.4	833.9	11.0%	1,005.2	-7.9%	3,387.2	3,389.9	-0.1%
Operating Profit	555.4	494.9	12.2%	379.1	46.5%	2,010.3	1,872.0	7.4%
Other Income	44.3	89.5	-50.5%	83.3	-46.8%	212.8	134.9	57.8%
EBITDA	599.7	584.5	2.6%	462.3	29.7%	2,223.1	2,006.9	10.8%
Depreciation	36.1	38.6	-6.5%	37.1	-2.7%	148.5	136.4	8.9%
EBIT	563.6	545.8	3.2%	425.2	32.5%	2,074.6	1,870.5	10.9%
Interest	0.0	0.0	-	0.0	-	0.0	0.0	-
PBT	563.6	545.8	3.2%	425.2	32.5%	2,074.6	1,870.5	10.9%
Tax	123.6	115.5	7.0%	112.9	9.4%	466.8	464.7	0.5%
PAT	440.0	430.3	2.2%	312.3	40.9%	1,607.8	1,405.7	14.4%
Adjusted PAT	440.0	430.3	2.2%	289.2	52.1%	1,607.8	1,352.8	18.9%
PAT from Discontinued Operations	0.0	0.0	-	23.1	-	0.0	53.0	-
Reported Net Profit	440.0	430.3	2.2%	312.3	40.9%	1,607.8	1,405.7	14.4%
Equity Capital	72.3	72.3	-	72.3	-	72.3	72.3	-
Reported EPS	60.9	59.6	2.2%	43.2	40.9%	222.5	194.6	14.4%
Adjusted EPS	60.9	59.6	2.2%	40.0	52.1%	222.5	187.2	18.9%
Ratio Analysis								
Profitability	Dec 09	Sep 09	Q-Q(bps)	Dec 08	Y-Y(bps)	CY09	CY08	Y-Y(bps)
OPM (%)	37.5%	37.3%	20.2	27.5%	998.0	37.4%	36.4%	103.6
EBITDA (%)	40.5%	44.1%	(355.3)	33.6%	692.6	41.4%	39.0%	237.6
EBIT (%)	38.1%	41.2%	(308.1)	30.9%	718.3	38.6%	36.4%	226.3
PAT (%)	29.7%	32.4%	(272.0)	22.7%	703.8	29.9%	27.3%	260.6
Operational Parameters	Dec 09	Sep 09	Q-Q(bps)	Dec 08	Y-Y(bps)	CY09	CY08	Y-Y(bps)
Staff Expense	35.2%	39.6%	(440.6)	40.5%	(533.3)	38.7%	37.2%	153.7
Establishment Expense	4.9%	4.5%	41.9	4.8%	13.5	4.9%	5.0%	(12.7)
Rent Expense	4.9%	5.5%	(58.2)	4.8%	9.8	5.4%	5.1%	27.4
Travel Expense	3.7%	3.0%	68.1	4.0%	(28.0)	3.1%	4.8%	(173.0)
Professional Fees	7.7%	5.9%	177.6	3.9%	383.3	6.2%	6.7%	(42.9)
Other Expense	6.1%	4.4%	175.6	15.1%	(896.2)	4.8%	7.2%	(236.0)
Effective Tax Rate	21.9%	21.2%	76.5	26.6%	(463.0)	22.5%	24.8%	(234.3)

Segmental Performance

Segment Revenues	Dec 09	Sep 09	Q-Q (%)	Dec 08	Y-Y (%)	CY09	CY08	Y-Y (%)
Rating Services	633.8	557.7	13.6%	526.2	20.4%	2,389.0	1,887.8	26.6%
Advisory Services	194.4	144.5	34.5%	265.9	-26.9%	599.1	608.8	-1.6%
Research Services	652.0	624.1	4.5%	584.4	11.6%	2,384.6	2,261.6	5.4%
Discontinued Operations (Advisory)	0.0	0.0	-	113.9	-	0.0	501.3	-
Total	1,480.2	1,326.3	11.6%	1,490.4	-0.7%	5,372.7	5,259.5	2.2%

Segment Revenue Mix	Dec 09	Sep 09	Q-Q(bps)	Dec 08	Y-Y(bps)	CY09	CY08	Y-Y(bps)
Rating Services	42.05%	44.84%	(279.2)	33.45%	860.2	44.47%	35.89%	857.3
Advisory Services	10.90%	12.99%	(209.7)	9.79%	110.4	11.15%	11.57%	(42.4)
Research Services	47.06%	42.17%	489.0	47.85%	(79.7)	44.38%	43.00%	138.3
Discontinued Operations (Advisory)	0.00%	0.00%	-	8.91%	-	0.00%	9.53%	-
Total	100.00%	100.00%	-	100.00%	-	100.00%	100.00%	-

Segment Profits	Dec 09	Sep 09	Q-Q (%)	Dec 08	Y-Y (%)	CY09	CY08	Y-Y (%)
Rating Services	259.0	199.1	30.1%	253.7	2.1%	1,007.4	908.1	10.9%
Advisory Services	63.9	28.9	121.0%	44.0	45.2%	130.1	146.8	-11.4%
Research Services	229.3	261.0	-12.1%	131.6	74.3%	861.1	819.8	5.0%
Discontinued Operations (Advisory)	0.0	0.0	-	26.3	-	0.0	69.8	-
Total	552.2	489.0	12.9%	455.6	21.2%	1,998.6	1,944.6	2.8%

Segment Profit Mix	Dec 09	Sep 09	Q-Q(bps)	Dec 08	Y-Y(bps)	CY09	CY08	Y-Y(bps)
Rating Services	40.7%	52.7%	(1,201.2)	40.2%	47.6	50.4%	46.7%	370.7
Advisory Services	5.9%	10.0%	(408.2)	9.3%	(337.3)	6.5%	7.6%	(104.4)
Research Services	53.4%	37.3%	1,609.4	48.8%	457.9	43.1%	42.2%	92.6
Discontinued Operations (Advisory)	0.0%	0.0%	-	1.7%	-	0.0%	3.6%	-
Total	100.0%	100.0%	0.0	100.0%	0.0	100.0%	100.0%	0.0

Segment Margins	Dec 09	Sep 09	Q-Q(bps)	Dec 08	Y-Y(bps)	CY09	CY08	Y-Y(bps)
Rating Services	35.7%	44.5%	(881.0)	53.6%	(1,789.8)	42.2%	48.1%	(593.7)
Advisory Services	20.0%	29.1%	(911.0)	42.2%	(2,224.0)	21.7%	24.1%	(241.1)
Research Services	41.8%	33.5%	835.3	45.4%	(360.7)	36.1%	36.3%	(13.9)
Total	36.9%	37.9%	(98.3)	44.5%	(768.0)	37.2%	37.0%	22.6

Financials: Consolidated

Earnings Statement					Balance Sheet				
Particulars (Rs. Mn.)	CY07	CY08	CY09A	CY10E	Particulars (Rs. Mn.)	CY07	CY08	CY09E	CY10E
Total Revenues	4,043.3	5,145.6	5,372.7	5,886.6	Equity Capital	72.3	72.3	72.3	72.3
- Growth (%)	40.7%	27.3%	4.4%	9.6%	Reserves	2,692.2	3,502.9	4,265.3	4,956.3
Total Expenditure	2,871.7	3,355.0	3,387.2	3,642.7	Shareholders Funds	2,764.4	3,575.1	4,337.6	5,028.5
Operating Profit	1,171.7	1,790.6	1,985.5	2,243.8	Deferred Tax Liability	(32.7)	(78.3)	(78.3)	(184.9)
- Growth (%)	45.4%	52.8%	10.9%	13.0%	Total Liabilities	2,731.7	3,496.8	4,259.2	4,843.7
Other Income	91.6	216.2	237.6	282.9	Fixed Assets	1,372.3	1,301.4	1,322.9	1,252.6
EBITDA	1,263.3	2,006.9	2,223.1	2,526.7	Investments	975.3	1,184.4	1,484.4	1,584.4
- Growth (%)	44.7%	58.9%	10.8%	13.7%	Current Assets				
Depreciation	156.9	136.4	148.5	161.0	Sundry Debtors	897.4	771.5	805.9	883.0
EBIT	1,106.4	1,870.5	2,074.6	2,365.7	Loans & Advances	407.2	526.0	552.2	605.0
Interest	0.0	0.0	0.0	0.0	Cash & Bank Balance	424.2	1,292.1	1,675.1	2,206.5
PBT	1,106.4	1,870.5	2,074.6	2,365.7	Other Current Assets	3.9	17.2	5.0	5.0
Tax	269.7	464.7	466.8	546.9	Current Liabilities				
Reported PAT	836.6	1,405.7	1,607.8	1,818.8	Liabilities	958.9	1,156.1	1,149.2	1,226.4
- Growth (%)	37.9%	68.0%	14.4%	13.1%	Provisions	389.6	439.7	437.1	466.4
					Net Current Assets	384.2	1,011.0	1,452.0	2,006.7
					Total Assets	2,731.7	3,496.8	4,259.2	4,843.7

Ratio Analysis				
Particulars	CY07	CY08	CY09A	CY10E
OPM (%)	29.0%	34.8%	37.0%	38.1%
EBITDA (%)	31.2%	39.0%	41.4%	42.9%
PAT (%)	20.7%	27.3%	29.9%	30.9%
Interest Cover (x)	n.a.	n.a.	n.a.	n.a.
EPS (Rs.)	115.8	194.6	222.5	251.7
P/E (x)	41.9	24.9	21.8	19.3
P/BV (x)	12.7	9.8	8.1	7.0
BVPS (Rs.)	382.6	494.8	600.4	696.0
Market Cap (Rs. Mn.)	35,063.3	35,063.3	35,063.3	35,063.3
M Cap/Sales (x)	8.7	6.8	6.5	6.0
EV (Rs. Mn.)	34,639.1	33,771.2	33,388.2	32,856.8
EV/EBITDA (x)	27.4	16.8	15.0	13.0
EV/Sales (x)	8.6	6.6	6.2	5.6
ROCE (%)	40.5%	53.5%	48.7%	48.8%
RONW (%)	30.3%	39.3%	37.1%	36.2%
Debt/Equity Ratio (x)	0.0	0.0	0.0	0.0
Debtors T/o Days	79.9	54.0	54.0	54.0
Advances T/o Days	36.3	36.8	37.0	37.0
Creditors T/o Days	85.4	80.9	77.0	75.0
Wrkg Cap T/o Days (Ex.Cash)	(3.6)	(19.7)	(15.0)	(12.2)
Fixed Assets T/o (Gross)	2.2	2.7	2.6	2.7
DPS (Rs.)	25.0	70.0	100.0	130.0
Dividend Payout (%)	21.6%	36.0%	44.9%	51.6%
Dividend Yield (%)	0.5%	1.4%	2.1%	2.7%

Cash Flow				
Particulars (Rs. Mn.)	CY07	CY08	CY09E	CY09E
Opening Cash & Bank	385.0	424.2	1,292.1	1,675.1
Profit After Tax	836.6	1,405.7	1,607.8	1,818.8
Invnt Income	(91.6)	(216.2)	(237.6)	(282.9)
Interest Paid	0.0	0.0	0.0	0.0
Depreciation	156.9	136.4	148.5	161.0
Deferred Taxation	(36.8)	(46.1)	0.0	(56.8)
Others	(64.9)	(67.7)	0.0	(30.5)
Change in Working Cap	1.7	241.1	(58.0)	(23.3)
CF - Operating Activities	802.0	1,453.2	1,460.7	1,586.3
Change in Fixed Assets	(317.5)	2.7	(170.0)	(110.0)
Change in Investments	(575.6)	(209.1)	(300.0)	(100.0)
Investment Income	91.6	216.2	237.6	282.9
CF - Investing Activities	(801.5)	9.8	(232.4)	72.9
Increase in Equity	253.2	(3.0)	0.0	(28.9)
Changes in Borrowings	0.0	0.0	0.0	0.0
Interest Paid	0.0	0.0	0.0	0.0
Dividend Paid	(214.5)	(592.0)	(845.3)	(1,098.9)
CF - Financing Activities	38.8	(595.1)	(845.3)	(1,127.8)
Net Change in Cash	39.2	867.9	383.0	531.4
Closing Cash & Bank Bal	424.2	1,292.1	1,675.1	2,206.5

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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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