

Crisil Limited

CMP Rs. 4,109.0
HOLD

Result Update
Q3CY09

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Steady Performance!

Crisil Limited has reported a modest financial performance by reporting 2% dip in Consolidated Total Income for the quarter ended Q3CY09 to Rs. 1,329Mn from Rs. 1,389Mn in Q3CY08. 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, topline grew by 5% from Rs. 1,268Mn in Q3CY08 from Rs. 1,329Mn for the current quarter. This growth was purely driven by the rating business.

Adjusted P&L	Q3CY09	Q2CY09	Q-Q(%)	Q3CY08	Y-Y(%)
Rating Services	557.7	607.9	-8.3%	451.6	23.5%
Advisory Services	144.5	176.1	-18.0%	252.5	-42.8%
Research Services	624.1	571.6	9.2%	646.2	-3.4%
Other Operating Income	2.5	3.4	-26.4%	38.2	-93.4%
Total Income	1,328.8	1,359.1	-2.2%	1,388.6	-4.3%
Less: Discontinued Operations	0.0	0.0	-	120.3	-
Adjusted Revenues	1,328.8	1,359.1	-2.2%	1,268.3	4.8%

Dip in the consolidated total income from operations was on the back of 3% fall in the Research services segment from Rs. 646Mn in Sep'08 to Rs. 624Mn. The revenues from Rating services have improved by 23.5% to Rs. 558Mn and that of advisory segment has improved by 9% to Rs. 144.5Mn (after adjustments) in the quarter under review.

The reported operating margins (OPM) of the company were under pressure and declined by 716bps Y-Y to 37% and pushed down operating profit by 18% to Rs. 495Mn. Crisil had written back Rs. 71Mn of leave encashment expenses, thus affecting the margins. Consequently the staff cost for the previous year are lower to that extent. Adjusted for the same, operating margins have declined by just 130bps Y-Y.

Further other income has zoomed and has increased by nearly 5x to Rs. 89.5Mn for Sep'09 v/s Rs. 18Mn for Sep'08. The company has accounted for a forex loss of Rs. 0.8Mn in the quarter under review as against a gain of Rs. 32.3Mn in the corresponding previous year. Thus the PBT declined by 7% to Rs. 546Mn in Q3CY09 as against Rs. 586Mn in Q3CY08. However, the effective tax rate of the company has declined by 667bps to 21%, thus lifting up Net Profit marginally by 2% to Rs. 430Mn as compared to Rs. 423Mn for the corresponding quarter last year.

Other Information:

- The Board of Directors has declared a third interim dividend of Rs. 25 per share, following the first and second interim dividend of Rs. 25 per share declared earlier in the year.
- CRISIL Research launched Independent Equity Research (IER) services, a pioneering concept in India, on September 29. Under CRISIL IER, listed companies are graded on their fundamentals and valuations. At the launch function, detailed reports were released for 13 companies representing a variety of industries, and covering a range of grades.
- Irevna maintained its leadership in the global offshore investment research space. Irevna added another leading bank to its roster of clients. Irevna also launched services in new verticals during the quarter, to further diversify its client and business profile.

Our Call:

We have marginally revised our estimates for CY09E and further on we are introducing our CY10E numbers. At CMP of Rs. 4,109/-, the scrip is quoting at 18.8x CY09E and 16.4x CY10E earnings of Rs. 218.6/- and Rs. 250.7/- respectively. We recommend a HOLD with price target of Rs. 4,512/-.

Quarterly Analysis

Earnings Statement								
YE March (Rs. Mn.)	Sep 09	Jun 09	Q-Q(%)	Sept 08	Y-Y(%)	9M CY09	9M CY08	Y-Y(%)
Net Revenues	1,326.3	1,355.6	-2.2%	1,350.4	-1.8%	3,892.5	3,769.1	3.3%
Other Operating Income	2.5	3.4	-26.4%	38.2	-93.4%	24.2	108.5	-77.7%
Total Operating Income	1,328.8	1,359.1	-2.2%	1,388.6	-4.3%	3,916.8	3,877.6	1.0%
Total Expenditure	833.9	847.3	-1.6%	782.0	6.6%	2,461.8	2,384.7	3.2%
Operating Profit	494.9	511.8	-3.3%	606.5	-18.4%	1,454.9	1,492.9	-2.5%
Other Income	89.5	28.3	216.3%	18.0	397.9%	168.5	51.6	226.5%
EBITDA	584.5	540.1	8.2%	624.5	-6.4%	1,623.4	1,544.5	5.1%
Depreciation	38.6	42.0	-8.1%	38.1	1.4%	112.4	99.3	13.2%
EBIT	545.8	498.1	9.6%	586.4	-6.9%	1,511.0	1,445.2	4.6%
Interest	0.0	0.0	-	0.0	-	0.0	0.0	-
PBT	545.8	498.1	9.6%	586.4	-6.9%	1,511.0	1,445.2	4.6%
Tax	115.5	115.2	0.3%	163.2	-29.2%	343.2	351.8	-2.4%
PAT	430.3	382.9	12.4%	423.2	1.7%	1,167.8	1,093.5	6.8%
Adjusted PAT	430.3	382.9	12.4%	416.6	3.3%	1,167.8	1,063.5	9.8%
PAT from Discontinued Operations	0.0	0.0	-	6.6	-	0.0	29.9	-
Net Profit	430.3	382.9	12.4%	423.2	1.7%	1,167.8	1,093.5	6.8%
Equity Capital	72.3	72.3	-	72.3	-	72.3	72.3	-
Reported EPS	59.6	53.0	12.4%	58.6	1.7%	161.6	151.4	6.8%
Adjusted EPS	59.6	53.0	12.4%	57.7	3.3%	161.6	147.2	9.8%
Ratio Analysis								
Profitability								
YE March	Sep 09	Jun 09	Q-Q(bps)	Sept 08	Y-Y(bps)	9M CY09	9M CY08	Y-Y(bps)
OPM (%)	37.3%	37.8%	(43.8)	44.9%	(716.1)	37.4%	39.6%	(223.2)
EBITDA (%)	44.1%	39.8%	422.4	46.2%	(640.4)	41.7%	41.0%	72.8
EBIT (%)	41.2%	36.7%	441.3	43.4%	(668.3)	38.8%	38.3%	47.4
PAT (%)	32.4%	28.2%	420.3	31.3%	(309.8)	30.0%	29.0%	99.0

Segmental Performance Review

Segment Revenues	Sep 09	Jun 09	Q-Q (%)	Sept 08	Y-Y (%)	9M CY09	9M CY08	Y-Y (%)
Rating Services	557.7	607.9	-8.3%	451.6	23.5%	1,755.2	1,361.5	28.9%
Advisory Services	144.5	176.1	-18.0%	132.2	9.3%	404.7	342.9	18.0%
Research Services	624.1	571.6	9.2%	646.2	-3.4%	1,732.6	1,677.2	3.3%
Discontinued Operations (Advisory)	0.0	0.0	-	120.3	-	0.0	387.5	-
Total	1,326.3	1,355.6	-2.2%	1,350.4	-1.8%	3,892.5	3,769.1	3.3%
Segment Revenue Mix	Sep 09	Jun 09	Q-Q(bps)	Sept 08	Y-Y(bps)	9M CY09	9M CY08	Y-Y(bps)
Rating Services	42.05%	44.84%	(279.2)	33.45%	860.2	45.09%	36.12%	896.9
Advisory Services	10.90%	12.99%	(209.7)	9.79%	110.4	10.40%	9.10%	129.8
Research Services	47.06%	42.17%	489.0	47.85%	(79.7)	44.51%	44.50%	1.3
Discontinued Operations (Advisory)	0.00%	0.00%	-	8.91%	-	0.00%	10.28%	-
Total	100.00%	100.00%	-	100.00%	-	100.00%	100.00%	-
Segment Profits	Sep 09	Jun 09	Q-Q (%)	Sept 08	Y-Y (%)	9M CY09	9M CY08	Y-Y (%)
Rating Services	199.1	270.6	-173.6%	242.1	-17.8%	748.4	654.4	14.4%
Advisory Services	28.9	51.3	-156.4%	55.9	-48.2%	66.2	102.8	-35.7%
Research Services	261.0	191.3	36.4%	293.5	-11.1%	631.8	688.3	-8.2%
Discontinued Operations (Advisory)	0.0	0.0	-	10.1	-	0.0	43.5	-
Total	489.0	513.2	-4.7%	601.6	-18.7%	1,446.4	1,489.0	-2.9%
Segment Profit Mix	Sep 09	Jun 09	Q-Q(bps)	Sept 08	Y-Y(bps)	9M CY09	9M CY08	Y-Y(bps)
Rating Services	40.7%	52.7%	(1,201.2)	40.2%	47.6	51.7%	43.9%	779.6
Advisory Services	5.9%	10.0%	(408.2)	9.3%	(337.3)	4.6%	6.9%	(233.2)
Research Services	53.4%	37.3%	1,609.4	48.8%	457.9	43.7%	46.2%	(254.2)
Discontinued Operations (Advisory)	0.0%	0.0%	-	1.7%	-	0.0%	2.9%	-
Total	100.0%	100.0%	0.0	100.0%	0.0	100.0%	100.0%	0.0
Segment Margins	Sep 09	Jun 09	Q-Q(bps)	Sept 08	Y-Y(bps)	9M CY09	9M CY08	Y-Y(bps)
Rating Services	35.7%	44.5%	(881.0)	53.6%	(1,789.8)	42.6%	48.1%	(542.2)
Advisory Services	20.0%	29.1%	(911.0)	42.2%	(2,224.0)	16.4%	30.0%	(1,363.7)
Research Services	41.8%	33.5%	835.3	45.4%	(360.7)	36.5%	41.0%	(457.0)
Total	36.9%	37.9%	(98.3)	44.5%	(768.0)	37.2%	39.5%	(234.6)

Disclaimer

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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