

# Q2 2019 Analyst presentation



July 2019

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# Agenda

## Executive Summary

CRISIL Overview

Business Environment

Financial Performance

Segment Performance

Thought Leadership

# Executive summary

- Consolidated total income from operations was ₹415.8 cr for the quarter ended June 30, 2019; profit after tax at ₹66.9cr
  - Ratings business maintained growth momentum by focusing on new client acquisition, and continued traction in the securitization market.
  - In the Research segment, Coalition continued its strong growth trajectory; Financial research saw momentum in its new initiatives like ESG and automation. However, overall growth was affected due to the maturing regulatory landscape in US leading to declining demand for global risk analytics
  - Advisory segment also grew driven by new mandate wins and growth in demand for risk & other solutions across India & Middle East
- Profitability for both the quarter and six months ended June 30, 2019 was impacted due to the adverse forex movement
- Continued focus on automation and process streamlining to drive cost efficiencies
- CRISIL maintained its position on thought leadership through its insights on key matters :
  - Knowledge partner along with ASSOCHAM in the 'National Conference on Insolvency and Bankruptcy Code - Challenges, Opportunities and the Way Forward'
  - Released multiple thought leadership publications - 'Credit Ratio edges up, some headwinds ahead', 'Transition to the new default definition' and opinion pieces on current themes such as 5G, IT sector margins inter alia
- CRISIL Foundation's Mein Pragati Assam project was selected to receive the National CSR Award, 2018

# Agenda

Executive Summary

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# CRISIL, a leading global analytics company

**#Agile**  
to market needs

Unleashing  
**#Innovation**

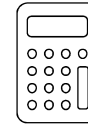
Defining  
**#Global** best  
standards

Empowering decision-  
making  
with cutting-edge  
**#Analytics**

**1,00,000+**  
Customers



**28,000+**  
ratings



**3700+**  
employees



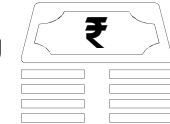
**9** countries  
direct presence



Rated over  
**144,000**  
micro, small and  
medium enterprises  
(MSMEs) in India



**90%** of  
India's banking  
industry by  
asset base  
are our clients



**15** of top **15**  
global investment  
banks are  
customers



**\$1.68** Trillion  
of Indian debt  
securities valued  
by us



Coverage of over  
**3,300** stocks  
And **3,400**  
credits globally



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# Moving with the tide amid rising global risks



India

Indicator	FY2018	FY2019	FY2020F
Real GDP (y-o-y %)	7.2	6.8	7.1
Investments (y-o-y %)	9.3	10.0	7.5
10 year G-sec yield (% , March)	7.6	7.5	7-7.3
Fiscal deficit (% of GDP)	3.5	3.4	3.3
Exchange rate (Re per \$, March average)	65.0	69.5	71.0
CPI Inflation (%)	3.6	3.4	3.8
Gross NPA (%)	11.6	11.0	-
Repo Rate (%)	6.00	6.25	Softening bias



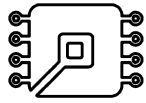
Global

Indicator	CY2018	CY2019F
World GDP (y-o-y %)	3.6	3.2
United States of America (y-o-y %)	2.9	2.5
Eurozone (Euro Area-19) (y-o-y %)	1.8	1.1
China GDP (y-o-y %)	6.6	6.2
US Fed Rate (% , current)	2.5	Softening bias

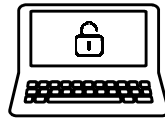
Source : RBI, CSO, CRISIL; S&P Global (June 2019), World forecast is by IMF (April 2019)



# Adapting swiftly to fast changing trends



**AI / Machine  
Decisioning**



**Cyber risk**



**Data**



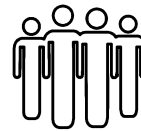
**ESG**



**Fintechs**



**Geopolitical risks**



**Millennials**



**Passive Investing**



**Regulation**

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Executive Summary

CRISIL Overview

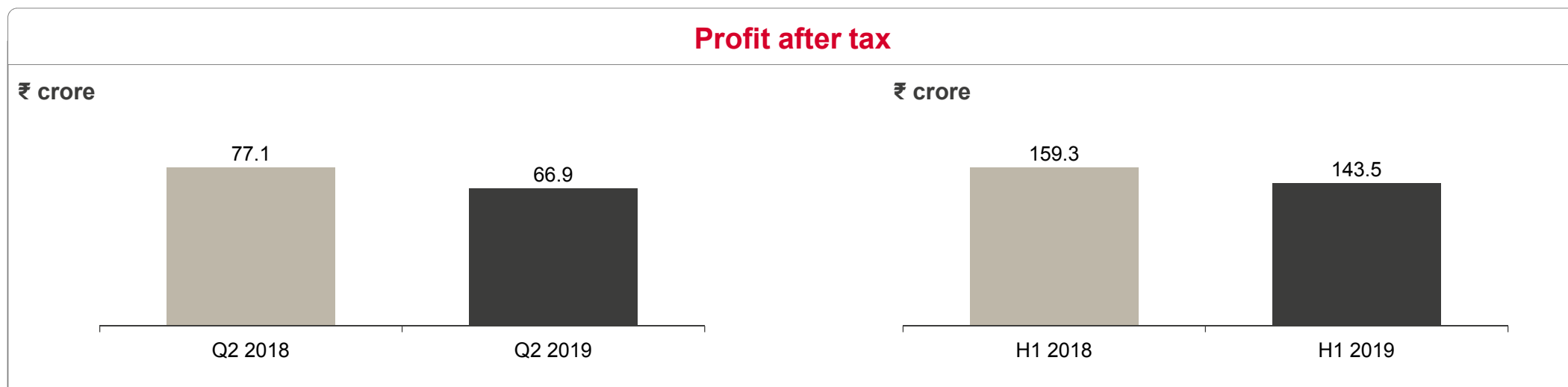
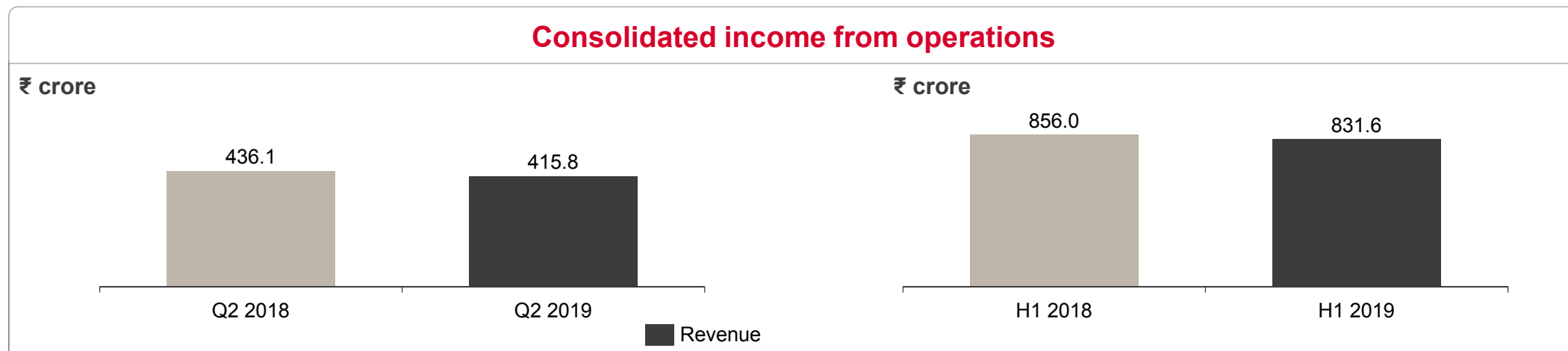
Business Environment

**Financial Performance**

Segment Performance

Thought Leadership

# Q2 2019 income from operations at ₹415.8 crore; PAT at ₹66.9 crore



Note: Numbers rounded off

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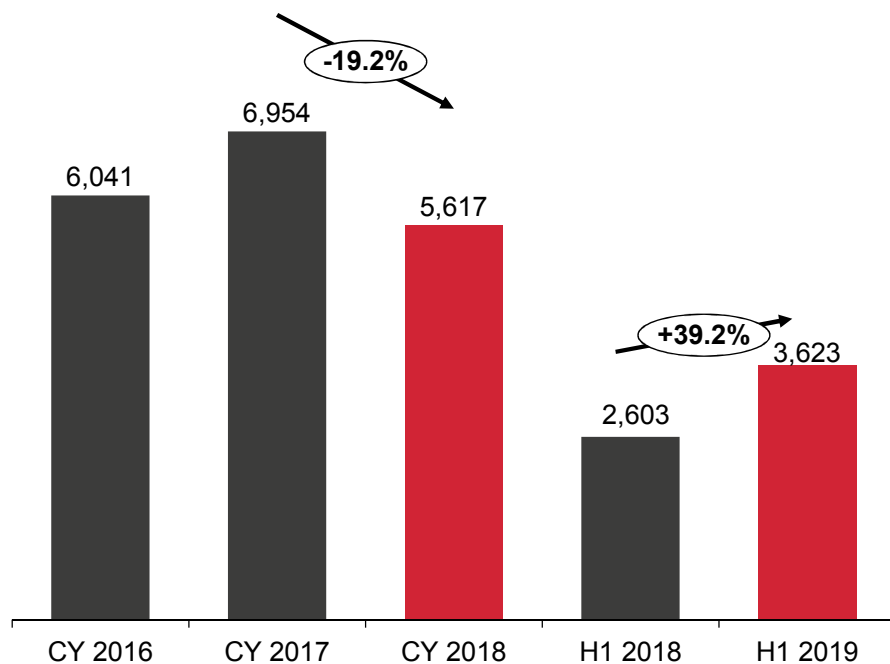
**Segment Performance - Ratings**

Thought Leadership

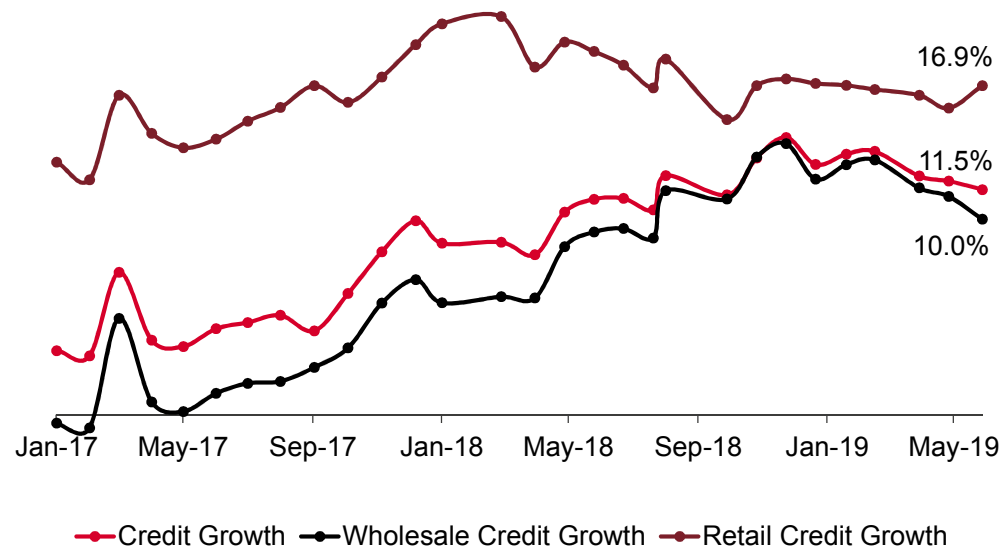
# Corporate bond issuances rose sharply in Q2 2019; Wholesale credit growth dipped

## Bond market (issued quantum)

₹ billion



## Credit growth trend



Source: RBI, SEBI, Ministry of Finance, Prime Database, CRISIL

# Ratings: Q2 2019 highlights

## Financials

Particulars (₹ cr)	Q2 2018	Q2 2019
Income from Operations	128.4	130.9
Segment Profit	45.6	48.2
Margin	35.5%	36.8%

Particulars (₹ cr)	H1 2018	H1 2019
Income from Operations	243.4	260.5
Segment Profit	83.9	95.7
Margin	34.5%	36.7%

Note: Numbers rounded off

## Business update

- Ratings maintained its growth momentum through its focus on new client acquisition, continued traction in securitization market and surge in corporate bond issuances in second quarter of 2019
- Global Analytical Center continued to work closely with S&P Global and grew on back of increased support in China
- Overall growth in ratings was moderated by a drop in number of issuance for bank loan ratings

## Franchise update

- Multiple high impact releases on topical matters:
  - CRISIL default study
  - Ratings Round-up – Credit Ratio edges up, some headwinds ahead
- Participated in various knowledge conferences :
  - Knowledge partner with ASSOCHAM in the 'National Conference on Insolvency and Bankruptcy Code'
  - 'Investors Conference', organized by Power Finance Corporation

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Executive Summary

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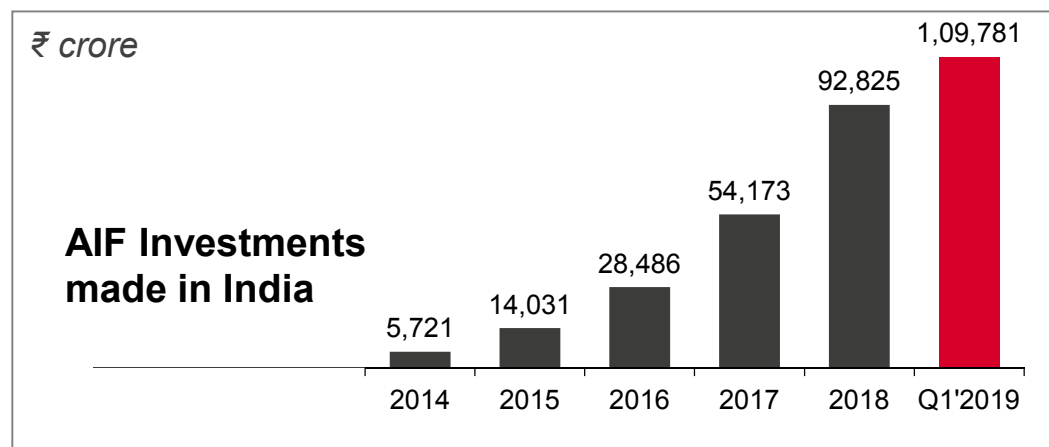
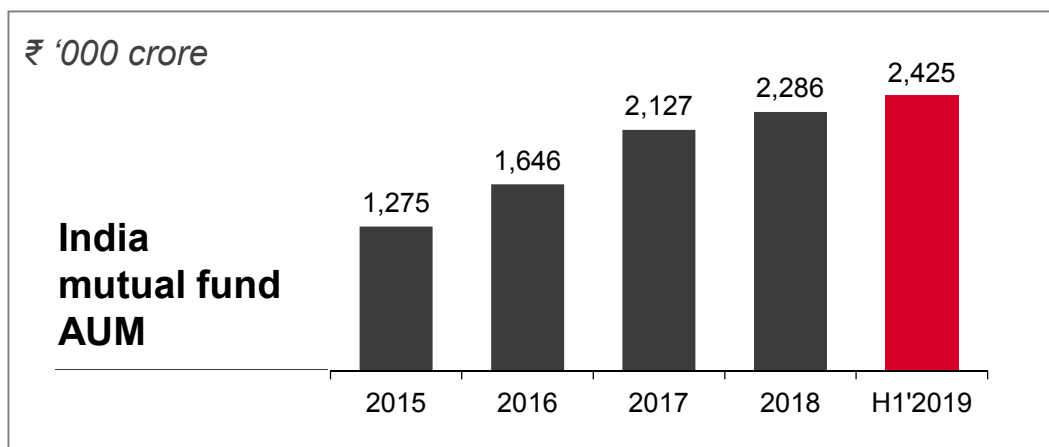
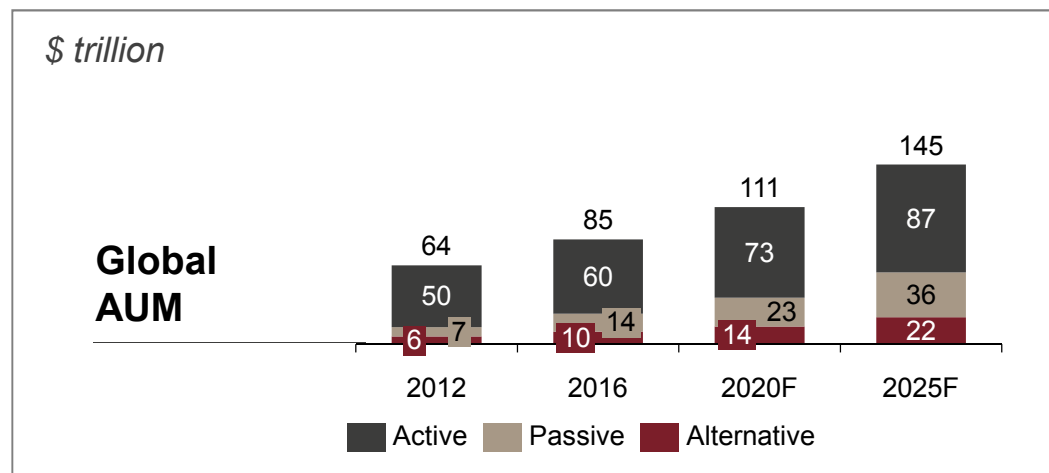
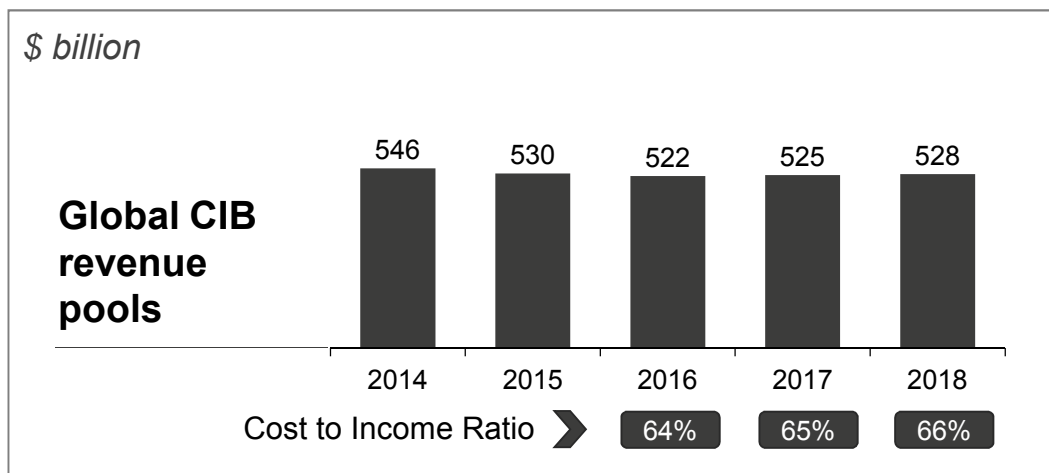
Business Environment

Financial Performance

**Segment Performance - Research**

Thought Leadership

# Global CIB revenue pools bottoming out; continued growth witnessed across mutual fund and AIF investments in India



CIB: Corporate and Investment Banking  
 AUM: Assets Under Management  
 AIF: Alternate Investment Fund (Includes Category I, II and III investments made)  
 Source: SEBI, AMFI, CRISIL, Coalition, Industry Sources



# Global regulatory paradigm continues to evolve

## Key Regulations



### USA

- CCAR
- DFAST
- FRTB
- CECL
- SA for CR, OR

**Maturing**



### Europe

- EBA/PRA Stress Testing
- MiFID II
- BASEL III, IV
- TRIM
- SA for CR, OR

**Tightening**



### Asia

- BASEL IV
- IFRS9
- SA for CR, OR

**Nascent**

CCAR: Comprehensive Capital Analysis and Review  
 DFAST: Dodd-Frank Act Stress Tests  
 CECL: Current Expect Credit Loss  
 EBA: European Banking Authority  
 MiFID: Markets in Financial Instruments Directive

PRA: Prudential Regulation Authority  
 TRIM: Targeted Review of Internal Models  
 IFRS: International Financial Reporting Standards  
 SA: Standardized Approach  
 CR/OR: Credit Risk/Operational Risk

# Research: Q2 2019 highlights

## Financials

Particulars (₹)	Q2 2018	Q2 2019
Income from Operations	274.5	251.4
Segment Profit	79.7	48.4
Margin	29.0%	19.3%

Particulars (₹)	H1 2018	H1 2019
Income from Operations	548.3	496.9
Segment Profit	164.6	111.5
Margin	30.0%	22.4%

ESG : Environmental, social and governance

Note: Numbers rounded off

## Business update

- Globally, Coalition continued strong growth trajectory through new client adds & launch of new cost and capital benchmarking services
- In addition, Financial Research business saw good traction in areas such as ESG, data analytics, & automation-based solutions
- India Research business was driven by enhanced offerings that support credit and investment decisions
- However, overall growth was offset by maturing regulations in US which impacted demand for certain risk/regulatory services
- Adverse forex movement impacted the profitability

## Franchise update

- Published whitepapers on topical matters like 'Transition to the new default definition', '5G is here but where's the fibre?', 'IT sector: Bulging staff cost, shrinking margins'
- Organized roundtable discussion on "Implementing Model risk management practices at Insurers" in New York
- India Research business participated as a knowledge partner at the 'Indian Tractor of the Year Awards' and organized a webinar on retail finance

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**Segment Performance - Advisory**

Thought Leadership

# Emerging needs for data analytics, risk and infrastructure offerings



## Risk Solutions, Pragmatix

- Increasing demand for data and analytics based solutions that integrate into customers' workflow to facilitate on-the-ground decentralized decision making
- Emerging opportunities driven by regulatory changes, risk environment and technology advancement
- New-age data sources driving alternative approaches to analytics
- Scenario planning & stress testing capabilities
- Rising demand for productized solutions, although with unique client preferences



## Infrastructure Advisory

- Focus on Infra development – with government plan of ₹100 trillion to be spent on infrastructure in next 5 years
- Asset monetization likely to become a key enabler to fund infrastructure
- Changing role of multilaterals
- Shift from policy formulation to implementation, and monitoring and evaluation of programs
- Opportunities at the state and city levels in India

# Advisory: Q2 2019 highlights

## Financials

Particulars (₹)	Q2 2018	Q2 2019
Income from Operations	33.2	33.4
Segment Profit	-0.3	1.3
Margin	-0.9%	3.9%

Particulars (₹)	H1 2018	H1 2019
Income from Operations	64.3	74.2
Segment Profit	3.2	5.4
Margin	5.0%	7.3%

## Business update

- Advisory segment won many prestigious mandates during the quarter
- The business saw sustained growth, driven by solutions for sales productivity, credit risk, and regulations both in India and the Middle East

## Franchise update

- Participated in the India Infrastructure Forum 2019
- Participated in the National Maritime Conclave 2019 organised by PHD chamber

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**Thought Leadership**

# Leading provider of independent opinion

## Events



CRISIL participated at the Morgan Stanley 21st Annual India Summit



CRISIL GR&A hosted an industry discussion on Implementing Model risk management practices at Insurers in New York



S&P Global Ratings and CRISIL jointly hosted an event titled "S&P CRISIL Exclusive Briefing"

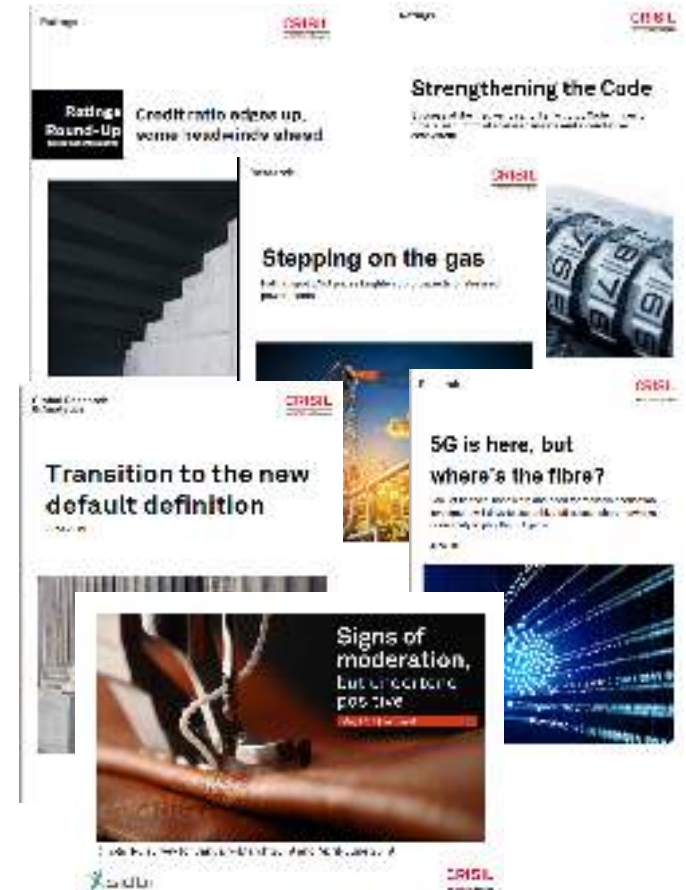


CRISIL Ratings participated in the 4th annual conference on "InvITs and REITs: Issues and Opportunities" organised by India Infrastructure Publishing Pvt. Ltd.



CRISIL Ratings partnered with ASSOCHAM as a knowledge partner in the 'National Conference on Insolvency and Bankruptcy Code - Challenges, Opportunities and the Way Forward'

## Publications



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It is India's foremost provider of ratings, data, research, analytics and solutions with a strong track record of growth, culture of innovation, and global footprint.

It has delivered independent opinions, actionable insights, and efficient solutions to over 100,000 customers through businesses that operate from India, the US, the UK, Argentina, Poland, China, Hong Kong and Singapore.

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