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Dear Sirs,

Sub.: **Analyst Call Transcript**

Pursuant to Regulation 30 read with Part A of Schedule III and Regulation 46 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, enclosing herewith transcripts of the Analyst Call held on Wednesday, April 19, 2023. The transcripts are also available on Company's website at <https://www.crisil.com/en/home/investors/analyst-hub.html>.

Kindly take this communication on record.

Yours faithfully,

For CRISIL Limited

Minal Bhosale  
Company Secretary  
ACS 12999

**CRISIL Limited**

Corporate Identity Number: L67120MH1987PLC042363

# “CRISIL Limited Analyst Conference Call”

April 19, 2023

**Management:**

**Mr. Amish Mehta**

Managing Director and Chief Executive Officer – CRISIL Limited

**Ms. Priti Arora**

Chief Strategy Officer and Business Head – CRISIL Global Analytical Center

**Mr. Sanjay Chakravarti**

President and Chief Financial Officer – CRISIL Limited

**Mr. Gurpreet Chhatwal**

Managing Director – CRISIL Ratings Limited

**Mr. Andre Cronje**

President and Head of International Business – CRISIL Limited

**Mr. Ashish Vora**

President and Business Head – CRISIL Market Intelligence and Analytics

**Moderator:**

Good afternoon, everyone, and a warm welcome to CRISIL's Analyst Call. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star, then zero on your touchtone phone. Please note that this conference is being recorded.

Before we start, as a standard disclaimer from CRISIL, you would like to state that certain forward-looking statements during our interaction today are based on our current understanding of the company profile and market conditions. These are subject to change based on changing policies of the company and macro environment. The company does not undertake to update the forward-looking statements or other information contained in the presentation, whether as a result of new information, future events, or otherwise.

As a policy, company refrains from giving specific quantitative guidance on its future performance, further in the interest of fair disclosures to investors, operational details relating to specific business segments, customer contracts will not be possible to be disclosed.

Let me now hand over the call to Ms. Priti Arora, Chief Strategy Officer and Business Head, CRISIL Global Analytical Center to commence the proceedings.

**Priti Arora:**

Thank you, Neerav. Good afternoon, good evening and a very warm welcome to everyone who's joined us today virtually for the annual analyst call at CRISIL Limited. I'm Priti and I'm delighted to be speaking to you today and set the context and agenda for today's call. As you would have seen in the earnings release, CRISIL delivered strong growth in Q1, 2023 and 2022. The robust performance, especially during the prevalent uncertainties and challenges, validates our strategy, its execution and commitment of our leadership and team at large.

CRISIL has progressed in creating elevated impact for all our stakeholders. We continue to empower our clients with actionable insights to enable effective decisions to our cutting-edge ratings, analytics, benchmarks, research and resolutions. We've made significant strides in building a future-ready organization by nurturing and enabling our diverse talent pool. This, coupled with our continued investments in digital infrastructure and emerging technologies, provides us with an ideal platform to deliver growth in the future as well. We are committed to building a future-ready, agile, inclusive and vibrant CRISIL.

I would like to introduce to you the panellists present at the call today. Mr. Amish Mehta, Managing Director and CEO, CRISIL Limited. Sanjay Chakravarti, President and CFO, CRISIL Limited. Gurpreet Chhatwal, Managing Director, CRISIL Ratings Limited. Andre Cronje, President and Head of International Business, CRISIL Limited and Ashish Vora,

President and Business Head, CRISIL Market Intelligence and Analytics. We're also joined by our management team to answer any questions that you may have towards the end of the call.

Let me hand over to Amish to start the presentation. The presentation was uploaded on our website and the exchanges. You can refer to that as a part of the discussion today and we will be taking the Q&A post our presentation. Over to you, Amish.

**Amish Mehta:**

Thank you, Priti. Hi. Good evening everyone, and a very warm welcome to each one of you. I am pleased to share that during 2022 and the first quarter of 2023, CRISIL continues to demonstrate resilience and a steadfast commitment to elevating impact for all its stakeholders amid macro and global market uncertainties.

I'm going to start from slide four, giving a little bit of overview on CRISIL. So CRISIL is a leading, agile and innovative global analytics company, driven by its mission of making markets function better. We provide ratings, benchmark, analytics and solutions to enable our clients to make decisions with conviction. Last year, we consolidated our offerings under the CRISIL Market Intelligence & Analytics umbrella in a bid to leverage our diverse capabilities and present a unified offering to our clients.

Our reporting is now under two segments, one, rating services, which includes CRISIL Ratings and the GAC, which is our Global Analytical Center. And the second one is under research, analytics, and solutions segment, which includes our global businesses, global research and risk solutions and global benchmarking analytics and market intelligence analytics.

If I look at slide five, the CRISIL family is now 4,700 strong in terms of employees. Our employees today comprise 40-plus nationalities and operate across 12 countries, elevating representation through diversity, equity and inclusion. And I'm pleased to report that women account for approximately 39% of our workforce today. We remain committed to building an enabling environment driven by a shared sense of purpose, encouraging all employees to create an impact to meaningful work and making a difference.

Our focused work has led us to multiple recognitions in various forums. Some of them are listed on the slide, a great place to work third year in a row, recognized among 100 best companies for women in 2022 for the seventh consecutive year, a testimony to our innovation in the Global Risk Tech 100 Award for Model Validation category, and our good work in CRISIL Foundation has won us the National CSR Award 2020 in the category of Corporate Awards for Excellence in CSR, which was announced in 2022. This is our second win at the award; the first one was in 2018 for CSR in challenging circumstances northeast.

If I move on to slide seven, let me just talk about our perspective on the Indian and the global economy outlook. Last year, as the pandemic abated, the world witnessed significant geopolitical events that led to a very high inflation. What followed was

coordinated efforts by globally important central banks to raise their policy rates at an unprecedented pace.

We expect this impact of high interest rates to play out in 2023, and growth forecasts for major advanced economies for 2023 have been revised downwards. The IMF expects global GDP growth to slow to 2.7% for calendar year 2023 from 3.4% in 2022. CRISIL expects Indian GDP to grow at 6% in fiscal 24 with risk tilted to the downside, compared to 7% in fiscal 2023. The slowing global growth is leading to reduced demand for India's exports, while the lagged impact of RBI's interest rate hikes are expected to manifest to slowing demand in the coming months.

If I move to slide eight, we believe the following will be the key trends in 2023, which are likely to shape the market. On the global front, the recent merger acquisition of a large global bank and the collapse of some regional banks in the US, will keep the uncertainty quotient in the global financial institutions high.

Global banking clients continue to focus on operational efficiency and spend related to regulatory requirements, sustainability and business transformation. We see financial institutions sharpening focus on non-traditional risks, such as cyber risk, climate risk and operations risk emerging from business transformation.

Further, the movement of capital to passive, alternative and private markets is opening up new avenues for data, analytics, and research. We continue to see significant spend by financial institutions in digital transformation as firms look to leverage the use of technological solutions towards optimizing spend and dealing with cost pressures. There has been an increasing focus on sustainability decision-making for corporates, lenders, investors, and policymakers, specifically towards energy transition, adopting to evolving global standards and operationalizing net zero investments.

Coming closer home to the domestic environment, healthy corporate balance sheets, a robust banking system, and the trust of the government on capex will be supportive of the domestic activity.

Let me move to slide 10 and cover a little bit on the performance of the organization. So, we saw growth across our businesses amid macro and global market uncertainties, thanks to our differentiated positioning, global talent pool and portfolio of affiliate services. We delivered double-digit revenue growth and robust margins, and you will hear more about this from Sanjay in the next few slides.

Sharp movement in the dollar versus the rupee and the pound contributed to profitability in the year ended December 31, 2022, which also includes INR30.1 crores from revaluation of a subsidiary loan. The rating services segment growth was supported by higher corporate bond issuances and bank credit growth, while the research analytics and solution segments by risk solutions, benchmarking, sustainability, and infrastructure consulting.

We recently completed the acquisition of 100% stake in Peter Lee Associates, an Australian research and consulting firm. This acquisition will accelerate our strategy in the Asia-Pacific region to be the foremost player in the growing market of benchmarking analytics across the financial services globe. We continue to make significant investment in our talent and technology, since they are the foundation for growth. This will continue to drive visibility and impact in global markets with references across 50 plus global publications and we have been recognized as an iconic brand at the fifth edition of the Times Iconic Brand Conclave 2022, as one of the few that redefined the benchmark in their respective fields in India and the global markets.

This year in 2023, we celebrate the 10th anniversary of our CRISIL Foundation and over the past decade, our foundation has contributed enormously to the cause of sustainability and made a visible impact to the lives of communities and the environment through many initiatives.

I'm looking at slide 11. So CRISIL has continued to demonstrate steadfast commitment to elevating impact for all its customers. This sharp focus on customer centricity bore fruit with enhanced client engagement across businesses. CRISIL has maintained its market leading position in corporate ratings driven by investor preference for best-in-class ratings, which generated new insights for commercial and investment banking clients with combined data sets from Coalition and Greenwich.

Our wallet share has grown across key clients in global CIBs and asset managers and also among domestic financial institutions. We strengthened our credit monitoring practices for global banks by benchmarking and streamlining processes.

Move to slide 12. Talking about technology and talent, CRISIL continues to invest in digital and cloud capabilities and in information security to enhance the experience of clients and employees. We ramped up our digital and foundational technology infrastructure. Our agile approach for all technology initiatives ensured many successful product launches such as the QSquare and Phoenix and rollout of upgrades to Fulcrum, Quantix and Alphatrax. Some of these are our platforms and offerings to our clients in different markets.

Our global talent pool is our IP and helps us deliver stakeholder value. We continue to make investments in our talent pool through upskilling, developing leadership pipeline, keeping pace with market practices and being future ready. We continue to drive engagement in a shared sense of purpose.

With this overview and looking at the opportunity, I'm going to request Sanjay to talk through the financial performance in detail. Over to you, Sanjay.

**Sanjay Chakravarti:**

Thank you, Amish. I move on to slide number 14, which gives the performance for the year '22 and for the first quarter of 2023. I will start with the annual performance of 2022, which is the set of graphs which is in the middle of the slide. 2022, as Amish pointed

out, was a strong and a robust year for us. We saw growth across all our businesses and in both the segments that we report.

This, again, the year saw very good flow through from that growth of revenue. Hence, we see profits and margins have also shown healthy growth, driven by the expansion and the growth that we've seen in revenue across all our businesses.

Now, the one point that we do need to keep in mind when we look at the performance of '22 as compared to '21, the US dollar sharply appreciated against the Rupee in almost the whole of 2022. And given that 65% of our business is export business, overseas business in which our billing is in dollars, this kind of depreciating rupee supported profitability in the year in addition to INR30 crores, which came from a revaluation of a dollar loan given to a subsidy.

I will now move on to the first quarter performance of 2023. Again, exiting out of 2022, Q1, 23 also saw continued robust growth across all our businesses and both our segments in the rating segment. CRISIL ratings saw performance being strong in both bank loan ratings and in bond ratings.

In our risk analytics and solution segment, our global businesses grew strongly across research, risk solutions and benchmarking, while the market intelligence and analytics business saw momentum in sustainability, research and consulting offerings. Again, this healthy growth in revenue allowed good growth in the profits of Q1 and 23, as you can see, a 14% growth in profit before tax and a 20% growth in profit after tax.

Now, here again, I would want to point out the impact of foreign exchange. Unlike 2022, the rupee and the GBP actually appreciated against the dollar and had an adverse impact on the year's results. Hence, the movement of FX in 2022 and when I look at Q1, 2023 have actually been counter-directional.

This FX impact, I would like to remind everyone who's joined, is almost entirely sitting in our research analytics and solutions business, which is where our global business sits. And when we go through the performance and the numbers of this particular segment, I would urge everyone to keep that perspective in mind when we look at the research analytics and solutions segment performance, further down in the presentation that we have.

That really was a synopsis of the performance of 2022 and the performance in the first quarter of 2023. We will be taking questions once the Q&A session is open. I will now hand over the presentation to Mr. Gurpreet Chhatwal, Managing Director of CRISIL Ratings Limited. Gurpreet?

**Gurpreet Chhatwal:**

Thank you, Sanjay. And good evening, everyone. I'll take you through the segmental performance of Ratings for Q1, 2023, as well as for calendar year 2022. I'm on slide 16, and I will speak about the two main drivers of the revenue pools for the Ratings businesses or Rating agencies in India, which is the corporate bond market as well as the bank credit growth.

We witnessed a strong growth in the corporate bond market in Q1, 2023 of over 40%. Though it was on a lower base of last year, the corporate bond market displayed signs of recovery from Q4, 2022 onwards. After many quarters of either muted growth or degrowth, the interest rate environment has now become relatively stable in favor of the corporate bond market with interest rates on bank loans having increased now.

In 2022, we saw an increase in the number of issuers tapping the bond market after, I mean, the fact that these issuers stagnated for over the last previous four years. We can also see that the credit growth of the banking sector inched up quite well in 2022, though it moderates somewhat on a higher base in Q1, 2023. The segments of bank credit that is of relevance to us and grew well in both these periods, are the services space that includes NBFCs, infrastructure and mid-corporates. Even large corporate borrowing has inched up during this period. CRISIL Rating estimates that the growth rate for bank credit and NBFC sector to be 14% to 15% and 13% to 14% respectively in FY 2024.

Now, let's move to the next slide, which is slide 17, and I'll speak through CRISIL Ratings' superior analytical rigor. We have consistently displayed one of the best default rates and stability rates in the domestic credit rating agency space. This slide shows the one-year investment grade default rate averaged over the last 10 years for CRISIL Ratings, as well as some of the other credit rating agencies. This is a part of the rating agency's regular disclosures as mandated by SEBI.

We believe that this is one of the very important parameters that lenders, bankers and investors look very closely at when they evaluate a Rating agency's performance, as well as determine the Rating agency of their choice. Everything else remaining the same, the lower and more consistent the default rates of a CRA, the better is the risk-adjusted return for an investor. We believe that our consistent performance stands us in good stead with investors in the lending community.

Now, let me move on to slide 18. You can see the segmented performance for FY '22, as well as for first quarter '23. The domestic rating revenues benefited from increased borrowing by large corporates, as well as mid-corporates in '22. And the mix was more favorable towards bank borrowings in 2022. However, in Q1 '23, we saw bond market borrowings improve as well.

In addition, we saw a few corporates took ratings in anticipation of rate hikes. We continued our focus on client engagement initiatives and centered our leading position in share of voice in the Indian media amongst the CRAs for our thought leadership, publications, and webinars. Global Analytical Center saw robust surveillance work delegation from S&P Global Rating Services. Overall, the ratings segment grew by 16.1%, one year in the quarter.

I'll now pass on to my colleague, Ashish Vohra, who heads the Domestic Research business.



**Ashish Vora:**

Thanks, Gurpreet. I'm really going to cover the segment performance for research analytics and solutions as part of this module, along with Andre. I'm on slide 20, I'll start off with a quick introduction of the market intelligence and analytics business and some of its key drivers. The market intelligence and analytics segment houses, like Gurpreet said, the India-focused non-ratings business of CRISIL. Under this umbrella, we offer financial and non-financial data, research insights, analytics, risk solutions, platforms and consulting solutions in areas related to planning, strategy, implementation and risk management.

We create value for our clients by bringing together unique data sets and deep domain expertise to help them craft growth strategies and for managing risk. We work with the government, with regulators, multilateral institutions, lenders, asset managers, and corporates. Our offerings span a large swath of the Indian economy. Our macroeconomic research offers forecasts and insights on economic growth, interest rates, currency, inflation and commodity prices.

Our fixed income research supports investors and asset managers in markets through unique data, valuation and asset class-based research insights. Equally, lenders get access to financial and non-financial data, scorecards, risk assessment models that enable credit origination and risk management. And the macroeconomic services to investors and lenders is augmented by robust sector research which spans 70 subsectors, covering more than 95% of India's economy by trade revenues and market value.

This strong data research and risk infrastructure forms the backbone of offerings for MI&A around platforms, analytics, and consulting services. A CRISIL-integrated credit platform for financial institutions, for instance, provides data, scorecards, risk models for enabling loan origination and risk management through early warning indicators. Similarly, consulting services on roads, ports, and airports rely on CRISIL's commodity, trade data, and district-wise economic activity to generate industry lending estimates on traffic that underpin commercial due diligence.

While economic growth is the main driver, healthy loan growth, financialization on savings, and capital formation are more proximate growth drivers for the MI&A business. The past four to five years, asset quality challenges resulting in higher gross non-performing assets referred to from corrective action framework in a number of cases and limited capital buffers have constrained capital growth, particularly for public sector banks. Now with a significant cleanup and strengthening of balance sheets and low credit losses, as you can see on the charts, are now enabling banks to plan strategies to gain or protect market share, lend more to infrastructure, farmers, SME, and for household asset creation.

Banks are looking at digitizing and automation as a way to address these issues, leading to demand for CRISIL's integrated credit platforms that connect data, create data marts and automate the entire credit lifecycle. Similarly, financialization of savings and steady increase in assets under management have been accompanied by an

increased demand for innovative products by investors. This combination has led to demand for indexing products, need for research insights that deliver alpha for reaching customers through a digital interface. This has sparked demand for our services around indices, valuations, benchmarking, risk management offered to be delivered via digital platform.

Moving on to slide 21, capital formation is another proximate growth driver for the business. We anticipate both infrastructure-linked capex primarily driven by government and industrial capex principally driven by the private sector to increase. Substantial increase in budgetary outlay for capex at both the central and the state level is poised to take infrastructure activity to a higher level. Similarly, PLI-linked activity is poised to sharply increase industrial capex in the next three to four years.

The government, multilateral institutions and the corporate sector are looking to finalize implementation roadmaps, perform due diligence, conclude financial closures to hasten creation of assets. CRISIL with its near three-decade experience in infrastructure consulting is one of the leading partners for stakeholders in this space. CRISIL is also leveraging its expertise in the rapidly evolving India infrastructure experience to other developed nations in Asia and Africa.

I'm going to pass this on now to Andre to cover the global business.

**Andre Cronje:**

Thank you, Ashish. On slide 22 of this presentation, I'm going to be talking about two businesses that I'm responsible for, which forms collectively the international business, which is Global Benchmarking and Analytics and Global Research and Risk Solutions, GR&RS. On slide 22, we've got two graphs. The one focuses on the revenue pool for CIBs and the other one on the returns on equity.

As far as the revenue pools are concerned, the revenue of the global CIEs versus CIBs that we cover has been slightly reduced in 2022, principally as a reduction in marketing activities, markets activities, and the IBD, M&A activity. However, that has been contradicted or supported by growth in lending revenue, which has been driven by increased margins and obviously the requirement for more debt capital to be made available.

On the return on equity side, balance sheet optimization and the growth of the capital base of big banks continues to be a focus. Three things principally feed into this. This is, there's a drive towards simplification to drive cost out of the business, cost reduction programs continue and then ultimately a big focus on the optimization, RWA reduction, which drives an improvement in ROE. That has continued. Overall, the return on equity is slightly reduced. However, the balance sheets of the big banks are in good health, as we would have seen through the pandemic, as well as the disruption in the last, most recent quarter.

If I move on to slide 23, opportunities in an evolving global market. In a way, the business that we are responsible for, both on the benchmarking side, as well as in risk

solutions, thrive in an environment which is somewhat uncertain and turbulent. So in the current environment where there's a high focus on regulatory scrutiny, many more regulations coming, infrastructure spend growing, sustainability, which are a huge theme and obviously digitization, which as I said feeds into the efficiency of these banks. We are very active in all of these. So thematically, it really fits into what we do.

The benchmarking business provides the insights. The services business that we offer through GR&RS provides solutions that help solve some of the problems that we identify through the insights that we do. Then if I move on to slide 24, just in terms of the financial performance of the business. For the year, as Sanjay has indicated in his introductory comments, we've had strong revenue growth in the international business, 23.2% revenue growth. That has been continued in the last quarter.

As I said, there's no drop-off in demand for the services that we offer. So we expect in the current environment with the uncertainty that prevails, that our services will be sought after and will continue throughout the year.

I'll now hand over to Sanjay, who's going to deal with the risks for the business.

**Sanjay Chakravarti:**

Thank you, Andre. What we've listed on slide number 30 of this presentation are really the overall risks that we see, which are a part of the business and the environment in which we conduct our businesses. Some of the key risks that I would want to point out, starting with currency movement. I spoke about how currency movement was counter-directional in the two reporting periods that are in this deck. Given that 65% of our business is on foreign currency, this is a key risk for us.

Second is cybersecurity risk. That is a risk that is omnipresent in today's time. And finally, people cost inflation. Ours is a people business. Our main IP is people. So that is also a key risk that I think we need to keep our minds open for. With that, that ends our deck that we had uploaded. We've also given you a commentary on the businesses and the performance. I am now requesting Neerav to open the call for questions-and-answers. As Priti mentioned, the management team is available. So please go ahead and ask questions based on the performance. Neerav, you can open the lines.

**Moderator:**

The first question is from the line of Kunal Thanvi from Banyan Tree Advisors. Please go ahead.

**Kunal Thanvi:**

Hi, thanks for the opportunity. So I had a few questions on the domestic rating side of the business. The first one was on the bond market. We've seen very strong growth in this quarter. Can you help us understand, what is our sense in terms of sustainability of the volumes going ahead in this financial year and beyond? And because the regulators have been talking about deepening the bond market, are we seeing any signs of structural improvement on the ground?

Then the second question was on the ESG rating. Recently, SEBI Chairman had talked about ESG rating and that it has to be mandatorily done by the rating agencies

registered with SEBI. So if you can throw some light on how big the opportunity can be there and what is our right to win in the ESG side of the business?

**Gurpreet Chhatwal:** Okay, these are two questions, right?

**Kunal Thanvi:** Yes.

**Gurpreet Chhatwal:** Okay, so on the bond market, I think two or three things which I talk about. I think the first is it's a strong growth in Q1, but you have to also take into fact that it was a market which was stagnating for about 18-odd months. And so this growth is on a lower base of last year Q1. But having said that, I think bond markets are sensitive to interest rates in the sense that the alternate to borrowing through the bonds is bank loans.

So in a rising interest rate scenario, we typically see that the market typically shifts towards the bank borrowings because they are relatively cheaper and the bond markets factor in the interest rate hikes much faster than the banks. Conversely, when the interest rates start going down or are stable, bond markets typically tend to offer a more competitive position vis-a-vis bank loans in certain rating segments, which is the high rating segments.

So we are now in a situation of, I mean, the interest rates have stabilized with RBI deciding not to increase interest rates. So we are in that situation. So at this juncture, I think they're both evenly poised. So we are seeing people who want to raise money through bonds are now preferring bonds and not going to the alternate, which is bank loans. And also as we see rest of the year after, at some point in time, we'll start seeing the interest rates go down. I think that usually is much beneficial for the bond market. So I think that's where we are.

Structurally, if you were to see the borrowing needs of the Indian corporates are going to be satisfied from these two segments. And we, as an economy, we put out our growth numbers. I think we are looking at a little bit of slowdown in FY '24, which is about 6% from 7% previous year. And going forward for the next three to four years, we're looking at about 6.8%. So our sense is that the borrowing markets are going to be strong. I mean, we've translated this into a bank credit estimate, which our banking sector team has put out about 15-odd percent and they anticipated that to continue.

So our sense is that there will be tailwinds to the bond market. Bond markets are usually more accessible for higher rated corporates. The other aspect which we believe, which will also be favorable for the higher rated corporates are, they are delivered significantly over the last few years. So it's a right time for them to start investing. I mean, I'm not predicting the investment as such, but I think that when they start investing, they usually prefer the bond side and that's what really benefits that. And that we are, largely our research team has said that basically the second half of FY '24, we'll start seeing more investments. So I think that's largely where we are. So, I mean, on the ESG rating, Amish, if you want to take quickly on that.

**Amish Mehta:** So maybe I can start, because I think the ESG ratings, so we are likely to see an opportunity clearly for our ratings business. We are waiting for finer details to come out, to understand how we will be able to shape the opportunity. Clearly the opportunity, and as you know, ESG is evolving globally and in India. As CRISIL, we have already launched our scores for 580-plus companies. Globally, there is demand for ESG evaluation, ESG ratings, third party opinions, on various aspects related to sustainability and ESG. And I think we would expect the market in India to evolve, to provide that larger opportunity for CRISIL and our ratings business.

But we are waiting for the finer details to see how we can shape that opportunity. Clearly the market will evolve over the next couple of years. Also the regulatory landscape will evolve. I mean, as you know, ESG is something which every regulator across the world is looking at, with greenwashing and I think trying to understand. India has taken the lead from a BRSR perspective disclosures. So I think there's lots happening in this space. We expect disclosures to improve. We expect investors, corporate stakeholders, regulators, and governments to start looking at ESG in a much broader sense, and that should open up many opportunities for our business, including rating systems.

**Kunal Thanvi:** Sure, and in terms of, so as you said, regulatory is yet to come out with the final details. So the pricing and how one can price the product, all those details are still awaited?

**Amish Mehta:** That's right.

**Kunal Thanvi:** Sure, and if you look at the bank loan side, of course we've said that there's been some softness there because the bonds have been doing well. But generally, how has been the competitive intensity? Because till last year with the market, during the COVID and even prior to that, with the market being so competitive, there was very high pressure on the pricing for the BLR segment. Any kinds of improvement there, even with one player about to exit the industry, if you can provide some color on that?

**Gurpreet Chhatwal:** So let me answer it in not exactly the form or shape you asked. We are a six or seven rating agency market. It is bound to be competitive. It remains competitive. So I think to that extent, we continue to see that pressure. The other side is that we've seen the banks going through a pretty tough time during 2014- 2018 with large NPAs. I think what we've seen with some and many of the larger banks becoming very discerning when they look at a rating agency or when they look at large exposures.

So I think for rating agencies, which have good, I would say, default statistics and who have a consistent performance, I think there is, we've seen both private and public sector banks having an opinion which rating agency or which view they would like to look at. So I think that we've seen helping us over the last few years. But the market remains competitive in that sense.

**Kunal Thanvi:** Sure, I get it. The last one, if I can squeeze in, is on the securitization. Like again, we've seen strong volume growth for the industry in securitization. If you can share some thoughts on the sustainability of those volumes. And again, this is a dual rating market.

The pricing, do we see competitive pricing, the securitization also, or it is fairly better market compared to say a BLR and bond?

**Gurpreet Chhatwal:** So I think securitization market also has kind of evolved over the period of time. So yes, the volumes are FY '23. I think we did a press release a couple of days back. This is the second highest volumes we've seen. I mean, it was a phenomenal year. Most of that, a good portion of that came in the last quarter.

But let me, on the pricing part, I think securitization is possibly one of the most competitive segments in the whole space. It is for two reasons. I think while the volumes are not large, I mean, while there is a PPC segment, which is what is the marketable listed, where you will put it out and will get surveyed, that's roughly about 40%. The 60% is the direct assignment, where the banks directly take it, and that's not public. It is, you do rate it from loss estimates, and that's a private report.

Because of the unique nature and the investors being just banks, and it is not a widely dispersed, it has over a few years become possibly one of the most competitive markets from competition and from a pricing perspective. So I mean, that's where it is. But to go forward from a growth perspective, we continue, we believe, I think NBFC are back in shape growing. So they need, and it's a wholesale market for them, largely, for many of them, from a borrowing perspective. They will continue to use diverse sources. It's not going to be bank loans, it's not going to be bonds. Only, it is going to be securitization, it is going to be co-lending.

It is, if they get an opportunity, they'll probably borrow from the ECB market when that becomes lucrative. But they will practice a diversified strategy rather than just looking at one. So securitization will remain a key source for borrowing from, for the non-banks, for sure.

**Kunal Thanvi:** Sure, thank you so much. I'll get back in the queue. All the very best.

**Gurpreet Chhatwal:** Thank you very much.

**Moderator:** Thank you. Next question is from the line of Rajiv Mehta from Yes Securities, please go ahead.

**Rajiv Mehta:** Yes, hi, good evening all. Thank you for taking my question. So on the margins of risk, research analytical and solution segment. So while Sanjay sir alluded to the fact that you have to attribute the forex loss to this particular segment. So if I were to adjust for the INR6 - INR7 crores forex loss in for this segment's profits and add it back, then the margins are stable on non-sequential basis and even slightly stable on Y-on-Y basis. Would that be the right way to look at it?

**Sanjay Chakravarti:** That is right, Rajiv. There is about 10 to 20 basis point expansion on a Y-o-Y basis for both 2022 and Q1 2023,

**Rajiv Mehta:** Okay. So still the question remains is that while we have been growing at 20-odd percent in this segment for multiple quarters, if the Y-on-Y margins are flat, what is not allowing any margin expansion to come through? I mean, is there typically a scope of operating leverage in the business because if you are growing at 20% consistently, ideally there should have been some room for expanding margins on Y-on-Y basis?

**Sanjay Chakravarti:** So the way we need to see this, Rajiv, is and we had mentioned this last year also. Yes, you're right. There's robust growth. We will not grow any business or not pursue growth at the cost of margins. Hence, you are seeing the margin expansion that you have even after adjusting for the FX.

Now, one part is as an export business, FX will play a part. But even if you adjust for FX, one has to keep in mind that our investment program into two of our biggest pillars, whether in this business or in the other businesses, are people and technology. We did mention that we will be investing in people and technology across two to three years.

This is the investment period where we are seeing the investments going into the business. Hence, the flow through to that extent is, I would say, limited. But even as the investment starts turning around and starts delivering results, we will see faster and enhanced expansion of margins.

**Rajiv Mehta:** Okay. So how should we look at incremental revenue growth determining margins from year on? Is it a step function which will play out that we've invested in people last year? Because I can see there's a significant employee addition for the company last year, and the cost has come in. And now that incremental growth will lift margins, how should we see this?

**Sanjay Chakravarti:** The growth will come on revenue. There are opportunities and the market is very large for this business. And even as flow through improves, you will see the flow through will improve with the investments kicking in, with the results, I think the margins would also expand. I will not be able to give you a mathematical number. As you know, we don't give future guidance, but even as the flow through keeps increasing with the investments delivering on the results, you will find that the flow through will keep increasing and the expansion in margins will be higher.

**Rajiv Mehta:** Okay. So one question is, in the light of this increased fragility of global financial system, are we somewhat noticing any adverse change in the traction of, say, new client addition, new deal wins, deal renewal cycles getting slightly elongated or longer deal sizes getting smaller in the global businesses? Any signals on that?

**Andre Cronje:** It's Andre Cronje speaking, not really. I think the type of services we offer, and as I explained when we did the presentation, are non-voluntary spend to a certain extent for the organizations we deal with. So, in that context, the demand is probably higher than what it was. I think there is certainly a harder decision cycle with regards to whether they can spend the money, because clearly most of the organizations we deal with are

now very cost conscious. So that's a change we see, it's more the decision making, but the demand and the type of services we offer is certainly on high demand.

**Rajiv Mehta:**

Okay, so my next question is on the rating segment profit growth or margins. So, while we have seen significant pickup in domestic ratings segment revenue growth, again the margins, when I look at the segmental level, reported margins, they've been moving in the same band. This, I believe, is a slightly more operating leverage business than global business. So, if you can provide an answer why the margins are not improving here despite significantly strong revenue traction, in the context of how the revenue mix is moving in terms of initial rating fee and surveillance fees. And how the revenue mix is moving in terms of the share of bond ratings and bank loan ratings.

**Sanjay Chakravarti:**

We don't give a breakout of that margin. Rajiv. I think the way, again, we need to look at it is there's significant as Gurpreet also mentioned, there's significant competition out there in this particular business. And we need to invest in talent and people as far as this business is concerned, because the IP in this business is our people. And every time we lose good talent, it's like losing cash from the main door. So, we've continued to invest in people and I think we'll have to look at it over a traction period of a full cycle, which is a 12-month period, to be able to see the kind of growth we are looking at. And if you look at the last 12-month period, which is a period in which the contraction did happen, but again, like I said, we have invested in our people, we have retained talent and very key talent in that business. And even as that investment period comes through, we will start seeing growth in margins.

**Gurpreet Chhatwal:**

As far as I think the second trend, which I think we should also talk about is the fact that the regulations have or regulatory intensity has been or I mean, it's been quite intense, let me put it this way. So, what it does is that to be ahead of that, and you can see some of the circulars which have come over the last four years, does require a good amount of operational cadence to be fair to it, which essentially means you will have to invest both in technology and people to be able to do it. It isn't only a simple people's game. So, we have been investing in both of that.

I think that's one of, it is going to be an important parameter as we go down in terms of competitive intensity. But please note that it's not only people, it is the investments in technology and regulatory compliance. I think that also is something which is keeping pace. And basically, we haven't seen any drop because of that. So, all of that's been absorbed with the same margins. And I would request you to see the margins from the 2014 to now. I think it's a significant change. So, I am adding, I would look at it, I think you have to look at it in the full perspective.

**Rajiv Mehta:**

Sure, just last thing I wanted to check upon is whether in the domestic rating business would we have significantly higher delta to bond market revival versus say a bank loan rating activity. Because as I see that the bond market reviving in this quarter and our growth rates have significantly picked up in Q1 of the current calendar year. Is it a function of our more stronger market position in the bond market ratings? Would that be the right way to correlate in the future as well?



**Gurpreet Chhatwal:** So just help me with the question. I'm not able to fully get the question you're asking which will grow faster or you are trying to...

**Rajiv Mehta:** No, our sensitivity to what grows faster in terms of our growth. So, would the bond market issuances being cannibalizing bank loan market will be better for us or would it be the other way around?

**Gurpreet Chhatwal:** The bond market pays you better, the fees are far better than the bank market. That is a well-known fact. But to be fair to it, I think bond markets are smaller. So, let's also take that the bank loan market for large corporate is also larger. So, if the bond market grows and I mean like to like and assuming that's what you're asking, if INR100 comes from bond or INR50 comes from bank, INR50 from bank and it becomes INR60-INR40, yes, it is beneficial but you'll also have to see the growth on an overall basis. So, broadly our sense is that it's an even split I mean, it moves here and there so it's difficult to put that number up. But yes, bond pays you, bond is more, I would say value accretive than bank.

**Rajiv Mehta:** Yes. So, I think the precise question is whether CRISIL's market position in bond issuance rating is much better than bank loan ratings and your market share.

**Gurpreet Chhatwal:** Okay, so let me put it differently. We have, as a ratings business I can give you at least eight or nine ways to calculate market share. And sometimes we also get a little bit confused about it. But you have to understand two things. In the bond market share, while our market shares are very strong, but bond market is a multiple issuer market. So, you could have an issue with four rating agencies and the denominator for that it could be as high as 180%, 190%. Bank loan market on the other side is a single issuer or best case in some of the largest, two issuer and that also is different. So, it isn't right to compare market shares and the multiplication to revenue. That's a simple point. So, it may not be that easy but yes, I would say that our market position, both these markets are strong.

**Rajiv Mehta:** Okay, thank you so much for answering all my questions.

**Moderator:** Thank you. Next question is from the line of Balaji from IFL Securities. Please go ahead.

**Balaji:** Thanks for taking my question and congrats on a good set of numbers. So, my first question is on this particular line that is there on slide 24 which talks about increased regulatory oversight and cost pressures across financial services clients. So, how should one look at this? Is it positive or negative? Because one way to look at it is that your GR&RS business will probably benefit because of this, while on the other hand GBA which is more linked to discretionary spending might see some pressure. So that is question number one. And the second question would be more following up on the discussion which we had just now on bonds being more value additive.

So, in light of the recent regulatory changes in the budget where the taxation has changed for debt mutual funds, would you kind of, do you think that at the industry level there could be some bit of credit requirements being met incrementally more through

banks versus bonds? So, in a way do you see this as a negative development for the industry?

**Andre Cronje:**

I'll just deal with the first question with regards to the current environment and the impact it has on our benchmarking business and our services business. So, firstly, as far as the benchmarking is concerned, on the contrary, yes, you're right, it is probably discretionary spent. But the type of insights we provide and the clients we have, are so dependent on these insights. And I'm not just saying this because it sounds the right thing to say. We haven't seen a drop off at all for the type of insight that we provide. In fact, there's probably more requirement for what we have. So really no impact frankly. And then obviously for our services business, the current environment is really conducive to getting, doing more work and increased demand.

**Gurpreet Chhatwal:**

Yes. So, your question on the taxation of debt mutual fund I'll try to answer to my best ability. I'm sure we have listed mutual funds. They would be able to give you a much better flavour on how they see the moment between bank and mutual funds. But see mutual funds from a corporate bond market? I think possibly, and I don't have the exact number, but my estimate is that it's about one fifth or less than one fifth of the outstanding corporate debt. At least them as investors. It really depends on how the flows to debt mutual funds are impacted. Because of this, so when you are in a declining interested scenario, the mutual funds possibly will show better return.

So, some of this may get masked in that perspective. Also see a lot of debt mutual funds aren't only individual investors, they're corporate investors. To a large portion of corporate investors, I don't have the numbers. They are not really bothered about the three year and usually they will look for what the returns are and do that. So how much are the individual investors in that proportion? I'm not 100% sure. At least our broader estimate is it may impact in the short run a little bit, but in the longer run it shouldn't have any large impact, but that's at least our internal house view.

**Balaji:**

Thank you. And I had just one quick follow-up. So, one can see that your employee count has almost risen by 20% in the last twelve to 15 months. And that also reflects in some of the increase in the employee cost that we have seen. So, in case if the overall demand conditions were to deteriorate a little bit, especially for the global business, as in what kind of leeway do we have in terms of kind of cutting the fixed costs?

**Anupam Kaura:**

I'll take that question. Thanks for that. This is Anupam Kaura. I look after the HR function for the company globally. The way we look at it, I think a lot of this is self-provided for by the kind of attrition that we've seen over the years. The normal natural attrition in that sense. So, this wouldn't be something that we would be unduly concerned about. I think it should be a reasonably manageable situation, the way we see it.

**Amish Mehta:**

I would only add to what Anupam is saying. I think the first fact is the environment. And as Andre and Gurpreet and Ashish spoke about the environment. And the opportunity for us, I think continues to be positive. And the demand for our services and I think we expect that to be the driver from our perspective. So, I see a scenario where our demand

for our talent is likely to continue. And if there's any challenge, then of course attrition should take care of that. That is how we look at it.

**Balaji:** Okay, thanks a lot Amish. This is quite helpful. All the best.

**Amish Mehta:** Thank you.

**Gurpreet Chhatwal:** Thank you.

**Moderator:** The next question is from the line of Pranav from Rare Enterprises. Please go ahead.

**Pranav:** Hi, sir. Just about the employee cost, so, employee cost has a seasonality I understand that. So, this INR393 crores for this quarter, how should we think about this going forward? Like it is quite fluctuating, quarter-on-quarter so...

**Amish Mehta:** Yes. I think the staff cost is a combination of headcount add, the incentives, the true up of bonuses based on the performance of the organization, and the long-term incentive program. It's a combination of things that we work on. And also, it's reflective of in some cases the business growth that we would have in a particular quarter. So, I think each business has a different driver. So, let's say in the Global Research and Risk Solutions business, your headcount add will be dependent upon the business that you're adding, which might not be the case in other businesses.

So hence it is very difficult to say that this is how the staff cost line is likely to move quarter-on-quarter. I think our general guidance is always to please look at those numbers at an annual level so that you don't see the fluctuations happening in each of those quarters. So, I would request you to look at the numbers at an annual level that will give you a much better perspective in comparison to the overall growth in the business and what's happening in the environment on the people cost side.

**Pranav:** Right. Last year research and analytics had say, 24% margin in the same quarter. And like I'm calculating the segment is given by you. And this quarter is 21% roughly. So, the 300 basis points, how much of this is currency? How much of this is investment in future growth? And how is the future pipeline of growth looking in research and analytics? Can you just spend some time on that?

**Sanjay Chakravarti:** Pranav, the growth as far as margin expansion is concerned, if you strip out the FX, it's roughly around 10 to 20 basis points. Because in '22, FX was favorable, whilst in the first quarter, FX has been adverse for us. As far as the breakdown between the margin of the -- the breakdown of the investment and FX, I'm afraid we don't give that breakup. Going forward, I think both Andre and Amish did say that the opportunity in the business is very large. So we'll continue to pursue those opportunities. We believe the opportunities for top line growth will be quite large. We spoke about the opportunities. But I think we are very clear that even as we continue our investments, even as we continue revenue growth, we will do so along with expansion of margins. We will not pursue growth at the cost of margins, Pranav.

- Pranav:** Right. In your PPT presentation that you have sent, you have mentioned that CIB revenues actually faced some challenge on an industry level because of capital market activity. So we have actually gained market share in like-to-like basis, right? Like I understand that there will be a seasonality, and then there will, Q4, it was INR645 crores, and INR528 crores this quarter. So the challenge that has impacted the industry, how is that played in our numbers?
- Andre Cronje:** I think we just tried to provide a broader thematic backdrop to the performance of the companies that we typically cover. As I said, the backdrop for banks globally, revenue pulls slightly down as a result of conflicting pressures on the business. Markets were somewhat down, lending and banking was growing. Against that backdrop, we've seen a slight reduction in the overall revenue growth. But as we've mentioned so many times now, we don't see that necessarily as an indication that our ability to grow the business, or for that matter, grow the revenue line is going to be diminished.
- Pranav:** Right. So we should not draw any conclusion that there is a short-term trend of revenue going down, because this will again come up according to seasonality, is that right?
- Andre Cronje:** No, not necessarily.
- Pranav:** Just last question from my side. In this quarter, and on the base quarter last year, is there any inorganic growth that we are seeing, or everything is organic, right? Organic in the sense, whichever acquisitions were done before Q1 of last year?
- Andre Cronje:** No, there is nothing inorganic.
- Sanjay Chakravarti:** Pranav, there is nothing inorganic. There is a very, very small element of the Peter Lee acquisition, but it is not material, because it's only been consolidated for 14 days.
- Pranav:** Right. And what is the annual revenue for Peter Lee, if you have actually revealed that?
- Sanjay Chakravarti:** We've put it out in the public domain, Pranav.
- Pranav:** Perfect, sir. Thanks a lot, sir.
- Moderator:** The next question is from the line of Gaurang Ved, from Ved Capital Advisors. Please go ahead.
- Gaurang Ved:** Thanks for the opportunity. Hello, Team CRISIL. Congratulations on a good set of numbers. My question pertains on rating business. I understand we don't give any forward-looking guidance, but my question is more related to qualitative comments from your side. So if we look at a quantum of new bond issuance during the year, it is same at around 7,000 billion range from many years. And even if we see IBC resolution, timeline and recovery rate, there is no significant improvement even after six years of its implementation. So when do you see significant improvement in new bond issuance and bond markets? And do you see any significant change coming in IBC regulation going forward? Thank you.

**Gurpreet Chhatwal:**

Okay, thanks. I'll try to answer it to the best of our ability. I think these are difficult questions. I think bond issuance, I think for the last, as I said, 18 months or so, has been hampered by the increasing interest rate. So we are now after many years getting into a declining interest rate scenario. So we are hoping that the bond markets will touch higher heights. I think the numbers for us, you're right, for a couple of years, have been stagnating at about 16% of GDP. So I think as we go down the road, we will see that. Obviously, we are also looking forward towards the corporate capex picking up. At some point in time, I think over the next 12 months or so, we will start seeing at least gradual signs and then later on, hopefully more intense activity on the corporate capex. And that typically supports some bond markets.

The other change which we are hoping as we go down the road is the infra space. Infra space is usually, most of the time, had been a bank loan market. You would spend for that. And then you would have ups and downs, but largely linked to the bank loan market. Now with the InvITs coming in, REITs and InvITs coming in, and we are seeing more positivity in that. A lot of companies talking about it now and going forward in the future. Some of them are going to become larger. I think those will have another, what I say, aspect which will, and most of them will then come to the bond market. Because if you are an AAA rating InvIT, it does make sense for you to be in the bond market. We've seen some of the listed ones, the unlisted ones actually preferring the bond market with that.

The third underlying is that we've also seen, I think the non-banks are one of the larger parts of, non-banks as well as the banks, I think also have an element which comes to the bond market that wasn't there in any significant force over the last three to four years because of the issues on both sides. I think both of them are now looking at the recent growth over the next three to four years. And I think we are looking forward, I mean, some cases projecting and some cases hoping that they will have larger portion in the bond market.

So these three, four things, I think my sense is that we will go forward and whether that happened in six months or a year or more, but I think that positive tractions which are positive for the bond market in addition to what we already talked, declining interest rate, that's positive. So that's one aspect of it. All this 7 lakhs which we've seen over the last three, four years have been times when most of these trends were negative. That's one.

The second is on the IBC. I think what we need to understand is the IBC resolution for assets and their vintage. So let me articulate it differently. IBC has been a regulation which has initially helped resolve some of the assets very quickly. And now what is left and some of those left is due is vintage assets. But what IBC or the regulation also doing is a lot of resolutions are happening outside the IBC, pre-IBC process, which is the banks are using the IBC as one of the tools to try to solve many of the things in a pre-IBC manner. So which means it doesn't go to the IBC, but it gets resolved.

So our broader sense, and I don't have numbers, and I can, unfortunately I don't have it, but I think the resolution rates today for stress assets are far better than what they were in the past, but I don't have numbers on that. So that's my sense of this. Does that help?

**Gaurang Ved:** Yes, perfect. That was quite helpful. Thank you very much and wishing all the best. Thank you.

**Gurpreet Chhatwal:** Thank you.

**Moderator:** Thank you. The next question is from the line of Devansh Nigotia from SIMPL, please go ahead.

**Devansh Nigotia:** Thanks for the opportunity. So just one question regarding ESG rating.

**Moderator:** Devansh, sorry to interrupt you, your voice is not coming clear.

**Devansh Nigotia:** Yes, am I audible?

**Moderator:** Yes.

**Devansh Nigotia:** Yes, so is it, so SEBI just released a draft for ESG rating where they mentioned the scope. So based on that, I mean, can we have an assessment that an analyst, how much time does it require to do a bank rating or a bond issuance rating and how much time is required to do a ESG rating to understand how big is the scope of work or some parallels if you can, if we can draw?

**Gurpreet Chhatwal:** I think the draft paper, they finalized it. I think the final paper is going to come in. So maybe it's a good idea to look at that in terms of the overall market sense, but depending on what rating you do, I mean, they've also delineated whether it's an issuer paid model or an investor paid model. I think they are different in their approach and in the time it takes. So I mean, an investor model where you will actually put out 1,000 ratings without talking to the companies or I mean, using public disclosures and limited interactions, I think the time taken is far lesser.

But it is a large database management and also a good amount of judgments you will have to use to populate data which you don't have based on the industry, company, economy and various aspects. But if you're an issuer paid model where you'll have to do meetings, etcetera, I think it shouldn't be very fundamentally different than what it takes to a rating for a new company on the bond market. Maybe, I mean, I don't wanted to hazard a guess, but it shouldn't be very different from that. But depends on which model you choose, what are you doing, how that factors in and finally, we still have to look at the final guidelines because if there are requirements, we will have to factor that, but that's where it is.

But usually, please understand when you do rating, it is also a factor of your time you spent before to benchmark and put the criteria in place. I think that's a lot of work

because it's an entirely new thing. You need to really think through it. There has to be a predictive element to that whole criteria. So that takes its own time. When we did bond rating or when we started adding new asset classes or new institutions, I think we also spent a lot of time, but that's a different perspective.

**Devansh Nigotia:** Okay. And with this change in the taxation that has happened for the debt markets, do we see that impacting bond issuances, any impact do we assess or any outlook if we have for the same?

**Gurpreet Chhatwal:** Yes, I just answered. I'm not the expert, but I might, I mean, I keep it short. I don't see, so people have raised a lot of money on March 31, because of the taxation moving. So debt mutual funds ideally should have money for the next few months. We will have to see how the inflows to the debt funds happen, but just be aware of the fact debt funds are possibly one-fifth or less than one-fifth of the total bond market and a good and a decent portion. I don't have the numbers with me. Maybe mutual funds, they will tell you better. A good portion of that is done by corporate's investment in debt mutual funds. And that is not, I think that is agnostic to the taxation because they're usually short-term liquid assets.

So my broader sense is that it may not have any significant long-term impact, though there could be short-term impact depending on how the flows happen during the second half of this year. But I think it's a better way to figure out from mutual funds, I mean, that's our assessment as of now.

**Devansh Nigotia:** Thank you, sir, for answering questions.

**Moderator:** Thank you. The next question is from the line of Bhavin Pande from Trust Plutus Wealth Managers. Please go ahead.

**Bhavin Pande:** Yes, hi, Sir. Congratulations on a wonderful set of numbers. Just looking at the margins and the margins we have in the rating business, it's 2x of what we have in research and analytics business. And the contribution from rating business is pretty less. So like, I mean, looking at such lucrative margins, why don't we focus on scaling up the rating business and also scale the research and analytics business when the margins come along?

And secondly, how does cash collection cycle work in this business? And maybe, I guess that the information is not disclosed usually, but can you throw some sense on how the fee structure works over here? Thanks.

**Sanjay Chakravarti:** So if you look at how the business has come about and how the initiation of the risk analytics and solutions business, Bhavin, see the whole idea for us was when we went into the research analytics and solutions business with our first acquisition, which was Irevna, the idea was to progressively de-risk our ratings business. Yes, the ratings business has higher margins, and is smaller than the research analytics and solutions business. But the fact is that we are also able to create that moat around the ratings business and therefore de-risk the ratings business, which also allows us, remember,

to protect the margins because of which we know that we can walk away from businesses that, which are either giving lower margins or where clients are not willing to accept the kind of ratings we give because our ratings are clearly driven by a certain process, by the strength of analytical rigor. That is one.

The second part is I think it is also important to understand the size of the opportunity, even as bond markets will grow, which they haven't actually over the last 10 years to 15 years, even as the bond markets in India grow, I think our ratings business will grow accordingly. So if you look at simply as a comparative and the environment in which the two segments are doing business, I think that also needs to be considered when you look at the growth focus in both these two segments. You had a question on cash cycle, right?

**Bhavin Pande:** Yes, correct.

**Sanjay Chakravarti:** So ratings is essentially a negative working capital business because we do collect initial rating fees upfront and then the remaining surveillance fees also comes in upfront. On the other hand, we do have debtor days in the research analytics and solutions business. But again, we are particularly focused on collections and keeping debtor days at the lowest level possible. So that is where you see essentially the debtor days in the overall consolidated business.

**Bhavin Pande:** So, when we think of fees as a percentage of the amount that is being raised, can we show some light on what previous points we charge? And also do clients negotiate in terms of sizing? They have the opinion that X, Y, Z, providing us rating at this price. So can you guys negotiate your rating or something like that?

**Amish Mehta:** So I'm not able to understand your question.

**Sanjay Chakravarti:** You're not very clear, Bhavin. Your voice is quite muffled.

**Bhavin Pande:** Sorry. Am I clear now?

**Sanjay Chakravarti:** Yes, I mean, as of now, you're clear. But even as you're going through the question, it gets muffled. So go ahead, go ahead, ask your question.

**Bhavin Pande:** Yes, so I just wanted to understand what fees do we charge in terms of business points as compared to the total amount that is being raised? And secondly, is there any negotiation from clients and when we are going through the whole process? Yes, that's it.

**Sanjay Chakravarti:** We will not be able to respond to your first question, Bhavin. That is not something that's in the public domain. On the second, please understand, and Gurpreet alluded to this, I think right at the top of the conversation, it's a very competitive market. Almost every deal gets negotiated, but we do have a premium positioning in the market.

**Bhavin Pande:** Okay, yes, I guess that answers all my questions. Thanks.



**Moderator:** Thank you. Next question is from the line of Anuj Sharma from M3 Investments. Please go ahead.

**Anuj Sharma:** Yes, hi. Two questions from my side. Could you give some insight into the Global Analytical Center? And what are we doing to increase the wallet share with respect to S&P outsourcing? And my second question is, over the years, we have made a couple of acquisitions. Some of them have really done well. So, when we look at it from now on, what are the three acquisition criterias we look at before acquiring a company? Thank you.

**Priti Arora:** Okay, so I can take the first question about the Global Analytical Center. So, we've had a very successful partnership with S&P Global for over two decades now. And the kind of work that we do for the rating services is primarily on the surveillance side, where we're helping the primary analysts with their desktop research work in support of their production of ratings. We also help them with their data and their technology transformation.

So, the couple of areas that we work within the Global Analytical Center, one is on the surveillance piece, where we're working very closely with the analytical practices within the rating services, helping them with their desktop research work in order to help with the production of ratings. We're also helping S&P with their data technology transformation projects. And we have some ancillary capability and services that we provide to some of the other functions like risk and control and the like.

I think in terms of the future prospects, again, we're very excited about working with our parent company, primarily one, because there are new areas of common growth and strategic areas like sustainability, as well as other emerging areas of risk.

And secondly, I think that post the IHS merger as well, it's a much larger enterprise of about 12 billion with 40,000 employees. So clearly in terms of our ability to provide capabilities to them at a larger scale is something that we're excited about. Amish, you wanted to take the M&A please?

**Amish Mehta:** Yes, so I think, CRISIL has always been going both organic and organic. I think the way we look about, we think about our businesses is, we want to be market leading in the businesses we operate, the geographies we operate. And inorganic would be, would complement that strategy. It should be a strategic fit. It has to be in line with the market opportunity. It has to help us accelerate our strategy execution. So I think we look at multiple parameters. Of course, one would look at the valuation and the returns that would get generated. But I think these are some of the key things that we would look at when we evaluate inorganic from time-to-time.

**Anuj Sharma:** All right, that's helpful. Thank you so much.

**Moderator:** Thank you. Next question is from the line of Aalok Shah from Monarch Network Capital. Please go ahead.

- Aalok Shah:** Thanks for the opportunity. And congratulations on great job numbers, sir. Just one question from my side. How's been the surveillance revenue on the ratings part of our business?
- Sanjay Chakravarti:** Our surveillance has also shown robust growth, both in the first quarter, Aalok, as also last year.
- Aalok Shah:** Okay, so are we saying that the trend that we saw the last year, same time, is continuing also in this period as well?
- Sanjay Chakravarti:** As far as Q1 is concerned of this year, that is correct.
- Aalok Shah:** Okay, thanks. That's it from me.
- Moderator:** Thank you. The next question is from the line of Rahul from Kredent Infoedge. Please go ahead.
- Rahul:** Hello.
- Sanjay Chakravarti:** Yes, you're audible, go ahead.
- Rahul:** Thanks for the opportunity. I had a question regarding pertaining to the rating business. Like in the quarter 1, for the past few years, I was tracking that the rating business, the margins are approximately 48%. And in the remaining part of the year, it is declining to 40%, 42%. Can you please tell me the reason for that?
- Sanjay Chakravarti:** So again, I go back, I think Amish also alluded to this a little earlier to another question, Rahul. It will be incorrect to see any of our businesses over a single quarter. You have to see the business performance over the full 12 month period, because that covers all possible, I mean, most of the cycles that a business has to see. So it wouldn't be right whilst you have a Y-o-Y comparative, I think that's the one to see it rather than a sequential. And if you want to truly see the performance, the accurate performance of a business, I would urge you to see it over a 12 month period.
- Rahul:** Thank you.
- Moderator:** Thank you. Next question is from Varun Bang from Bryanston Investments. Please go ahead.
- Varun Bang:** Hello, good evening. Just on the global business that we have with S&P, how's the pricing been negotiated in these contracts? How's the benchmarking done in terms of pricing these contracts? And is it possible to give color on economic performance Is it possible to give color on economics of this business? And also just second part to this question, are there any constraint in terms of sourcing business from S&P? Are there any regulatory constraints? Or do you foresee any risks to this business?
- Sanjay Chakravarti:** On the pricing, the pricing is based as per arm's length based on the Income Tax Act.. As far as constraint on business is concerned, it will be the regulations that S&P Ratings

works under. And those regulations also subject to GAC and S&P being a company which is governed by the highest standards, obviously we go by the regulatory ring fencing that is required under the ratings business there. Have we been able to answer your question Varun?

**Varun Bang:** Yes, I mean, I was just trying to understand how's the benchmarking done in terms of rising these contracts?

**Sanjay Chakravarti:** When you say benchmarking, are you talking about what is the process of benchmarking? What do you mean by benchmarking?

**Varun Bang:** No, not process. I mean, just is there any benchmarking method that we have in terms of pricing these contracts? And also if it is possible to give color on economics of this business? That would be helpful.

**Sanjay Chakravarti:** No, we don't give a color on the economics. What we do as a benchmarking exercise is a comparable transaction margin globally that would be charged between companies of this size, similar size and companies giving similar service. That is the comparability that we do.

**Varun Bang:** Okay, that's it. Thank you.

**Moderator:** Thank you. The next question is from the line of Drashti from Thingwise Wealth Managers. Please go ahead.

**Drashti:** Yes, thanks for the opportunity, sir. Just to add on the question of what a previous participant asked regarding the cash cycle, when I look at your debtors, the debtor days is around 100 days in December 22. And even it was higher in December 21 at around 86 days. And it's substantially increased in the last two years versus average before of 50 days. So could you just elaborate on exactly this is?

And you mentioned our working capital cycle is negative, but because the debtor days are so high, actually our working capital is higher. So if you could just explain this. Thank you.

**Sanjay Chakravarti:** Drashti, there are two parts to this. I said that our working capital is negative in one part of our business, which is in the ratings business. The debtor days essentially resides in our research analytics and solutions part, which is essentially the global businesses and MI&A. The reason why you see an expansion in the debtor days as far as 22 is concerned is because there's a bit of timing difference here.

Some of the key clients whose payments were expected to come in by December actually came in in January, which kind of bumped up our outstanding as of 31st December, which bumped up the debtor days that you see. You will also need to look at the expansion and the value of debtors based on the expansion in our revenue also, which is reflective of the debtor days.

But again, the bulk of the expansion in debtor days is more on account of a timing difference in collections that happened last year. Incidentally, those debtors which didn't get paid in December, actually the money did come in in the first quarter.

- Drashti:** Okay. And what typically is our debtor days generally for a research business?
- Sanjay Chakravarti:** Inside our research business, as in you mean the segment?
- Drashti:** Yes segment. Because that's where most of the -- you just mentioned, right? Like debtor days are mostly related to that segment.
- Sanjay Chakravarti:** It is different in the different businesses in the segment, but it is more or less reflective of the debtor days that you see on the balance sheet.
- Drashti:** All right. Thank you so much.
- Moderator:** Thank you. Next question is from the line of Anand from White Oak Capital. Please go ahead.
- Anand:** Thank you for the opportunity. I have three or four questions. So, first is from opportunity perspective, do you see Basel IV as a reasonable opportunity given the size of our existing business?
- Andre Cronje:** Yes. Yes, we see it as a big opportunity. FRTB, capital optimization is a big theme, as I said, when we looked at the slides. So, we see it as a material opportunity for our markets business. And we are actually having live conversations with a number of the clients that we service specifically on this topic.
- Anand:** Noted. And given the implementation is 25 in some countries or FY'26 and calendar year 26 and other, when does our work begin? Is it five quarters in advance? Is there some time limit that you can give a sense of?
- Andre Cronje:** I mean, many of our conversations have actually started a while ago, to be honest. And many of the preparatory things that organizations need to do to prepare for the regulations have been known for a long time. So, we've actually been active on these topics for many months, actually probably predating this by sort of arrival. So, it isn't really just a case of it will step up when the regulation becomes live. It's the preparatory work that needs to happen for these regulations, typically two to three years in advance. So, we're very active at the moment.
- Anand:** Noted. When it comes to Greenwich and Coalition, we see some contrasting trends. So, Greenwich has, Coalition has done well whereas Greenwich hasn't. So, can you give us a sense of what's driving these contrasting trends? And is there any, underlying factor? And this is one of our, broadly would you expect these trends to be continuing, like they're moving in different directions as per the dynamics of their business?
- Amish Mehta:** I would say you should look at the global benchmark in business and not look at individual company perspective because the billing, the structuring of the billing is, it

could be very different. So, I think what is important to see at the segment level, the entire combined entity or the combined business performance of global benchmarking analytics, which is across the CIB and the non-CIB space. And I think that is what we would typically look at as we run the business. And I think the numbers which might have been sitting in the subsidiary performances, I think they are not reflective of the business because the contracts could be structured depending on which country and what businesses are actually servicing those businesses.

**Anand:** Noted. So, if I understand correctly, there's some noise in here. And hence the margins and revenue growth and so on might throw off track. So, we should look at, as you said at the segment as a whole, am I understanding, correct?

**Amish Mehta:** That's right.

**Andre Cronje:** Yes.

**Anand:** Now, when it comes to our engagement in GR&RS, I presume this is also ongoing engagement. The various ratings, like you have initial rating and then surveillance. So, is GR&RS having similar revenue profile as an initial fee and then continual engagement. Or is it more driven by one off projects? Or it's a mix? If it's a mix, then can you give us some sense of what kind of mix is it?

**Sanjay Chakravarti:** About 30% to 35% of our revenue in that business is annuity revenue.

**Anand:** Noted. And for the remaining business, which is project driven, so are these projects like one off or they recur every three, five years? How should we think of it?

**Sanjay Chakravarti:** Combination of both. Anand, there would be renewable projects and there would be projects which come in for a short period .

**Anand:** Got it. I have a couple of more questions. I'll come back in the queue. Thank you.

**Moderator:** Next question is from the line of Himanshu Upadhyay from O3 Capital. Please go ahead.

**Himanshu Upadhyay:** Yes, hi, I had a question. We have written in our annual report for the last few years that we want to diversify beyond financial risk also and compliance and all those services. How large is that business opportunity and what are our strengths in that business and how do we think where are we in that journey of diversifying further into those types of services?

**Andre Cronje:** Non-financial risk is possibly the biggest risk that our clients currently deal with. So, it is a very substantial opportunity for us. We are in the process of building out our business because we see it as a very material opportunity and that's where we are.

**Himanshu Upadhyay:** And will these cover beyond financial companies also? Primarily. Currently we are focusing on only mostly financial institutions, but non-financial risk. Are we going to focus on industries beyond financial. Should we understand that?

- Andre Cronje:** No, at the moment we are principally focused on financial institutions. We're obviously dealing with banks as we said so. We expand that more probably into the asset servicing side, asset management side, but nothing beyond financial services.
- Himanshu Upadhyay:** Okay and one more thing, you stated about recurring revenue 35% but if I understand, we have also written about products and platforms development something like ICON Fulkrum, IT driven businesses. How is that segment overall moving? And what is the level of maturity of our products, and have they reached a substantial scale where we can roll out across the world and across and there can be a substantial margin improvement in that whole business of research and rating analytics if these products are mature?
- Sanjay Chakravarti:** Yes, absolutely. So, if you look at the ICON product, it is a product that helps digitize the entire credit underwriting process. That is a product that is pretty much used by all the large banks in India both across the public as well as the private sector. The idea really is to now take it international which is largely in the geographies around the Middle East as well as to North America.
- Himanshu Upadhyay:** And the IP remains with CRISIL for these products?
- Sanjay Chakravarti:** Yes, absolutely.
- Himanshu Upadhyay:** And besides these two products, are there anything more we are working on or? These are the two products which are at a maturity stage right now.
- Ashish Vora:** So, we do have a suite of products, some of them are platforms like ICON which help digitize credit processes. We do have products or platforms which where we actually have the ability to be able to take data to our clients. And that is where we mentioned during the initial conversation that we leverage a lot of the data that we generate out of our research, both the macro as well as industry business which we offer clients to get access to.
- Himanshu Upadhyay:** One last thing, if you look at CY21 and revenue mix, the geographical revenue mix, during CY21 the revenue grew by 20% in domestic market and '22, it grew by 9% only okay? And then we have stated that domestic rating business grew by 13%. So, what are the business which are dragging and it was expected that CY22 should be better than '21 because the economy has done better. Why is, it had been slow, lower growth than CY21?
- Amish Mehta:** I think the mix of the businesses is what is important to look at. Right? I mean we could have, let's say in our advisory segment which we used to have earlier. That there is a lot of, or just clients? And let's say some significant contracts could have got over which might not be there in the next year. So, I think what I would request is to see it more holistically. Our businesses are different as we scale up different businesses, growth will be, percentages could be different. And I think that is where you need to keep that perspective.

**Himanshu Upadhyay:** Okay, thank you.

**Moderator:** Thank you very much ladies and gentlemen. In the interest of time. That will be the last question for today. I now hand the conference over to Mr. Amish Mehta to conclude the session.

**Amish Mehta:** Thank you, everybody, for joining the call. From our perspective, I think we continue to look at the opportunity. There is uncertain environment globally. I think India, the economy, remains robust and resilient. We expect growth in the economy to continue. And I think, as we discussed over the call most of our offerings are in the nondiscretionary space for our clients which continue to drive buoyancy in terms of demand and growth. And we continue to be optimistic from a business perspective. Thank you very much.

**Moderator:** Thank you, sir. That concludes the call for today. Thank you, everyone, for joining us. And you may now disconnect lines. Thank you.