Minal Bhosle: We open the session for Q&A. Please raise your hand for the question and we will get you the microphone. Also, introduce yourself and your organisation before you ask the question.

Sagar: This is Sagar from Nirmal Bang. My question is for Ashu Madam. You mentioned that we are seeing a pick-up in the investment cycle, so is that a flow or are you seeing some green shoots on the ground? Just wanted a clarification on that. Thank you.

Ashu Suyash: So what I said was that we are tracking an all-time low, and from here in the next couple of quarters, we hope to see an investment uptick. It is still a couple of quarters away. No green shoots yet, but we are hopeful. The budget supports consumption and you will begin to see consumption improve. We hope that the capacity utilisation across the number of sectors that are sub-80 will begin to get back to over 80% levels and at that stage you will begin to see private investment. Till that time, it has to be government spending and public spending that will support any form of investment.

Dhruv Kuchhal: I am Dhruv Kuchhal and I am from Antique. I just have a couple things to ask you. First is how big is the smart city opportunity which all of you have been speaking about? Because if you look at the budgetary allocation to smart city, it has actually not gone up in the last couple of years. Second is that what percentage of the topline comes from India and like what comes from outside? And the third is on the RBI’s approach to the IRB, so do you all look at it as, I mean, a threat?

Ramraj: I will take the first question which is on smart city. So clearly we do see that the smart city is a fairly substantial opportunity. I would agree with what you are saying on the budgetary allocation, but you will have to remember that once the smart cities are allocated, a lot of the budgetary requirements would be coming from the local municipalities as well as from borrowings which will be made locally. So really you will have to look at it in that context and not in terms of what is it that is being sent from the centre, but also what is going to be raised in terms of local municipal finances. So yes there could be some challenges there, which is a separate thing, but clearly the real potential is in what is going to happen in terms of investments on the ground and what could be opportunities which are emanating out of that.

Ashu Suyash: So I will take the other two. From a revenue mix point of view, India is about 30%-35%. You asked how we are seeing banks adopt IRB? In our interaction with banks, and we work with
almost all the banks, we think that their readiness is not quite there and therefore our expectation is that the standardised approach will continue and it is a long while before we see banks being ready on that account. The other thing is an independent opinion will always be a required input for chief risk officers as well as Bank boards when analysis is presented to them.

Dhruv Kuchhal: One thing you spoke about was price competition and the bulk of your revenues and segment profitability comes from research. So can you walk us through a little bit about the increase of price, price improvement opportunities you have in the different parts of research business. We know about ratings part we talk about that a lot but whether it is coalition or within S&P, the different parts, what opportunities for yield improvement you have and what can cater substantial uplift in your rate of revenue growth?

Ashu Suyash: We offer a number of research services as presented and you will see that there are some which are proprietary in nature and IP driven. There, as we continue to introduce newer analytics, we will be able to improve the price point. In a number of pure services-led assignments, with the kind of intense margin pressure banks face, (who are) the customers we serve, we come across price impact. The other thing to remember is the business has been growing at a fast pace, so base effect also kicks in when you start thinking of improvement year-on-year from a margin perspective.

Dhruv Kuchhal: These businesses also have the concept of revenue cap like you have in the rating business for India?

Ashu Suyash: No, these businesses do not operate on any revenue cap. It is a question of the quality of your offering, the value add and how the customer sees your value proposition and we are very happy that we are continuously adding more clients.

Dhruv Kuchhal: How about any increase in the number of revenue streams from within S&P beyond what you are only doing for that?

Ashu Suyash: So as you know we serve S&P Global Ratings through our Global Analytical Centre. We also have started exploring a number of opportunities for collaboration and as and when there is certainty and a commercial lens to it, we will share. But it is a more opportunistic kind of an approach. The other thing is that the Global Analytical Centre started off with only serving ratings, but over time it has started serving the Platts business—the commodity price assessment business that S&P Global has—and we are also supporting work in risk and regulatory areas. So within the analytical centre, we are seeing diversity and are serving more number of stakeholders within S&P Global.

Participant1: Just one question on the research business. So what we have seen is the growth has
decelerated from the past and now you have been introducing your products like transaction banking etc., so where are we in terms of the products being significant contributors to revenue in terms of timeline and how do we see the overall pool growing maybe 18-20% plus growth that we used to register in the past?

V. Srinivasan:
So, what I would say is that on the research business the entire regulatory changes and the risk paradigm is shifting. We have built over the last two years, very strong presence in this space and there have been number of offerings especially using the whole quantitative modelling work that we have been doing. This has resulted in some of the key offerings in this space which has led to this growth. And today they account for a fairly large proportion of the business. In the last two to three years, they have grown into a very significant proportion. Some of the new things like transaction banking that we talked about were launched just last year by Coalition and over the next few years we expect that it would start contributing in addition to the large base that they have from the existing products. So, essentially what I am saying is that some of the services that we launched two years back have become pretty material to the current mix of portfolio that we have and some of the offerings that just got launched will grow in the next few years. We hope that in the next two years new services and offerings should become a fairly large proportion of the business mix that you see in the segment.

Participant1:
Growth overall then should be trending backwards to 18, 20 that we used to do in the past or would you be in this given that the base number now is much higher than that and more headroom continue to be that way?

V. Srinivasan:
I will not comment on any forward-looking number, but I think since we talked about pretty positive trends and underlying drivers that are there in the businesses which we have established ourselves in, over the last two years and we believe that the opportunity should continue. I will leave it to you to sort of think about what this can mean in growth terms.

Participant1:
Just one question on Ratings. What we see is despite strong growth in the bond market, it has not really translated in terms of revenue growth for the entire industry. So how do we see this particular trend and given that increasingly we have seen more and more in terms of financing side move to the bond market, but it is not translating into any revenue growth for the industry? So, how do we see this trend?

Gurpreet:
I think in my presentation, I spent some time on it. If you see there are two large segments, bank credit and bond markets. I guess because of the muted investment activity and the business cycle that we are currently in, it is impacting us because most of our rated companies are on the wholesale credit side. The bond market growth as I was trying to explain is more refinancing led because of the lower interest rates, higher rate borrowing corporates actually extinguish and refinance debt. However, there is strong growth on the
retail side. So I guess this is linked to, as Ashu mentioned, the investment cycle. Having said that, what I was trying to give was a perspective on the bond market. If you look at it, there are pretty strong trends towards increasing the depth of the bond market. For the infrastructure sector with the EL scale coming in and with many of the regulators trying to move the incremental lending towards bond with the bank credit. I guess these are trends and we will have to watch how things unfold. Over the next four-five years you could see deeper and broader bond markets.

Hiren Dasani: Hiren from Goldman Sachs Asset Management. Three questions, again. All of them on the assets side. First, if you can give little more granularity in terms of how much is the investment research, how much is risk analytics, may be coalition in the others? Second, margins have improved over a period of time in the research, if there is any scope for further improvement or this is kind of peakish margin now? Third lot of talk in the IT industry about automation and uses of technology taking away quite a bit of jobs, how does it impact your research business?

V. Srinivasan: Probably I will answer the last part of it first which is on automation. As I mentioned in my presentation that I think there has been increasing technology component of our offerings to the services. So we believe that it is a positive for us because I think one as automation increases and in the current environment of cost pressure, it really helps us to position ourselves well with the clients and if we are able to do the automation much faster, we believe that some of the business that is with competition is something that we can aspire to sort of get. So I think we are very much focused on using technology and automation in our offerings and it will play a very important part in the research business. Large part of the research activities, we believe is something that can be automated. We continue to make investments in sort of automating these. I think we have made good investments and I think that serves well for us. So I do not think that because it is a services based business and we have manual or talent based approach that we have had in the past it is going to affect us. It is going to be more positive for us because we are really able to combine some of the low end research tasks to be done by technology and really use the intellectual power to do the differentiated research that I talked about. So, I believe that it is positive for us and we have not seen automation impacting negatively. Automation will increase in the research business, but we think it is positive for us. On the mix breakdown, it is something that we do not provide on the research segment. I think on the margins side that you asked about, I think some of the IT based products and some of the work that we do on the risk analytics and the regulatory side, we believe have led to increase in the margins in the research segment that we have seen in the past.

Hiren Dasani: Quantifying is it fair to assume that our share of risk analytic based research is increasing over a period of time with the overall pie, or is the investment research share increasing. Which one is growing faster?
Management: The risk analytic pie is increasing in the overall part of the research business. That is growing much faster than the rest of the business.

Hiren Dasani: Thank you.

Minal Bhosale: Any more questions. This would be the last one.

Participant2: You described so many things in the presentation on the IT, budget, everything over the last few days what papers are saying otherwise in business funding, collecting money and so many things, but either you advice, or you give that back to the shareholders or generally do you have something to say on that?

Amish Mehta: So I just shared in the presentation that we have been continuously improving our dividend payouts. As an organisation, we follow a judicious mix of retention of cash for funding our growth, our working capital, any acquisitions that we might intent to do, any contingencies that we might have and we ensure that our dividend payout to return to shareholders is at a healthy rate. Last five year’s trend demonstrates an increasing payout on dividend and we have done a buyback in 2015. So, we continue to have a judicious mix of retention of cash and we want to ensure that the return to shareholders is optimized.

Participant2: My second question is basically when the competition is increasing because of the technology and particularly auto sector then how you rate Indian auto sector and particularly the Tata Motors.

Ashu Suyash: So since it is specific question not on the business but on rating of a particular company and there will be many people who will ask questions per company and that is not the intention of analyst meet. We would like to have it for another time. We rate a number of companies and there are companies that are doing well and some that are not doing well and our ratings are reflective of various parameters including their cash flow position and how are they able to meet their obligations.

Gurpreet: As I mentioned in my presentation that auto sector is a part of the consumption sectors. We have seen more upgrades than downgrades in that particular auto and auto ancillary segment.

Minal Bhosale: So with this we would like to end Q&A section. Thank you very much for your wholehearted participation. We do hope today’s interaction has given you better insights about CRISIL. Copies of the presentation will be available on our website shortly. We now declare the meeting as closed. We request you to join for high tea. Thank you.