CRISIL’s 2017 Results

Analyst Meet – February 14, 2018
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Agenda

- Introduction
- Financial highlights
- Segment performance
- Key risks and challenges
- Summary
Strong global footprint and delivery capability

Locations

UK
LONDON

INDIA
MUMBAI
AHMEDABAD
GURGAON

HYDERABAD
BENGALURU
CHENNAI

KOLKATA
PUNE

POLAND
WROCŁAW

US
NEW YORK

ARGENTINA
BUENOS AIRES

CHINA
HANGZHOU

HONG KONG

SINGAPORE
## Anchored in a position of strength

<table>
<thead>
<tr>
<th>Feature</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>India’s leading rating agency</strong></td>
<td>Rating on 25,000+ large and mid-scale corporates and financial institutions; 110,000+ SME ratings assigned to date</td>
</tr>
<tr>
<td><strong>India’s leading independent research house</strong></td>
<td>90% of India’s banking industry by asset base are our clients</td>
</tr>
<tr>
<td><strong>World’s top-ranked provider of high-end research and analytics services</strong></td>
<td>Work with top 75 global financial institutions</td>
</tr>
<tr>
<td><strong>India’s eminent BFSI Risk Solutions provider</strong></td>
<td>Solutions provider to 70 banks and financial institutions in India and emerging markets</td>
</tr>
<tr>
<td><strong>Preferred infrastructure advisor to governments and multilaterals</strong></td>
<td>Operates in India and over 5 other key emerging countries in Asia, Africa and the Middle East</td>
</tr>
</tbody>
</table>
Evolving macro-economic environment

**India**
- Growth revival post structural reforms
- Focus on infra and MSMEs
- Emphasis on agriculture and rural income
- NPAs and fiscal slippage a concern

**Global**
- Synchronized global growth
- Growing trade intensity
- Expected interest rate tightening
- Geopolitical risks
Rapidly changing business landscape

- Alternative data
- Ecosystem enabling platforms
- AI & machine decisioning
- Evolving Payments and Currency
- Millennial workforce & end users
- Policy & evolving regulation
- Increasing cost optimization
- Focus on sustainability
Our vision and go-forward strategy

Vision: To be a leading agile and innovative, global analytics company

- Enhance core offerings
- Launch new products and advanced analytics
- Deepen Customer centricity
- Drive Excellence

Talent

Technology
Enhancing our core and adding new analytics and solutions

- **SPARC**: Counterparty credit assessment through a common platform
- **SMART**: Innovative financial research platform for global investment banks
- **smefirst**: Digital platform for access to assessments and research
- **Pragmatix**: Solutions in the ‘data to intelligence’ lifecycle for BFSI segment
- **Quantix**: Unique integrated data and analytics platform
- **EL Ratings**: New paradigms to assess credit risk and potential loss
- **TBLS**: Transaction banking analytics to expand coverage to entire CIB segment

SMART: Simple, Modular, Analytics & Research Toolkit

SPARC: Shared Platform for Assessing Risk of Counterparties

EL: Expected Loss

TBLS: Transaction Banking and Lending Services
Deepening customer centricity and franchise - India

CRISIL Infrastructure Advisory hosted the first ‘CRISIL India Infrastructure Conclave’ in New Delhi.

Ashu Suyash and SEBI Chairman Ajay Tyagi, along with other dignitaries inaugurated the ‘AMFI-CRISIL Factbook’.

CRISIL Ratings hosted its second ‘annual seminar on NBFC sector’ in Mumbai.

CRISIL Research partnered with PFRDA as a knowledge partner for the ‘Third Pension Conference’.

India Outlook Fiscal 2018: Resetting Growth Expectations

CRISIL widely quoted across prominent media.

SEBI: Securities and Exchange Board of India
AMFI: Association of Mutual Funds in India
NBFC: Non-Banking Financial Company

CRISIL Infrastructure advisory was the knowledge partner in FICCI’s Smart Railways Conclave.

PFRDA: Pension Fund Regulatory and Development Authority
FICCI: Federation of Indian Chambers of Commerce and Industry
Deepening customer centricity and franchise - Global

Ashu Suyash, Managing Director & CEO, CRISIL participated in the fourth Asia Summit organised by Milken Institute in Singapore.

CRISIL GR&A hosted a seminar on ‘Disruption and Future of Research’ in New York.

CRISIL Infrastructure Advisory participates in FICCI’s Namaskar Africa 2017, Ghana.


CRISIL GR&A hosted ‘An exclusive briefing on ‘Big Data’ - Getting beyond the hype’ in London.

CRISIL GR&A hosted a seminar on ‘Disruption and Future of Research’ in New York.

CRISIL Infrastructure Advisory participates in FICCI’s Namaskar Africa 2017, Ghana.


CRISIL GR&A hosted ‘An exclusive briefing on ‘Big Data’ - Getting beyond the hype’ in London.

CRISIL Coalition quoted in international financial media over 470 times during the year.

CRISIL and S&P jointly hosted a discussion forum on MiFID II and the changes in Research Consumption Practices in London.

MIFID: Markets in Financial Instruments Directive
Corporate Social Responsibility: Core to CRISIL

**Mein Pragati**

Empowering socially and economically disadvantaged sections of society by strengthening their financial capabilities

**Moneywise Centres for Financial Literacy**

Collaborating with the RBI and nationalized banks to improve financial inclusion in remote blocks across Haryana and Maharashtra

**CRISIL RE**

Enabling environment conservation, financial literacy and inclusive education in cities

- Empowered 1,50,000 women under “Mein Pragati”
- Inaugurated 20 centers under RBI’s financial literacy program
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- Introduction
- Financial highlights
  - Segment performance
  - Key risks and challenges
- Summary
2017 revenues grew by 7%; PAT by 3%

Segment operating revenues

<table>
<thead>
<tr>
<th>₹ crore</th>
<th>4Q 2016</th>
<th>4Q 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ratings</td>
<td>277 22</td>
<td>287 28</td>
</tr>
<tr>
<td>Research</td>
<td>128</td>
<td>126</td>
</tr>
<tr>
<td>Advisory</td>
<td>426 22</td>
<td>441 28</td>
</tr>
</tbody>
</table>

4Q 2016: ₹426.22 crore, 4Q 2017: ₹441.28 crore

Profit after tax^ 

<table>
<thead>
<tr>
<th>₹ crore</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ratings</td>
<td>1,004</td>
<td>1,080</td>
</tr>
<tr>
<td>Research</td>
<td>468</td>
<td>480</td>
</tr>
<tr>
<td>Advisory</td>
<td>1,548</td>
<td>1,658</td>
</tr>
</tbody>
</table>

2016: ₹1,548.75 crore, 2017: ₹1,658.98 crore

^The performance for the year was affected by an adverse currency impact of ₹15.7 crore, compared with a gain of ₹9.4 crore in 2016.
Revenue per employee continues to rise

Revenue per employee*

Revenue per employee (₹ lakh)  Average number of employees during the year

2013  3,424  32
2014  3,454  36
2015  3,629  38
2016  3,860  40
2017  3,938  42

*Based on segment revenue
Note – 2016 and 2017 data is IND AS adjusted
Strong track record of returning cash to shareholders

Return to shareholders

₹ crore

- 2013: 157
- 2014: 170
- 2015: 299
- 2016: 232
- 2017: 240

- Dividends (incl. distribution tax)
- Buyback
- Dividend payout
- Diluted EPS

Note: Numbers rounded off

Note – 2016 and 2017 data is IND AS adjusted
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Corporate bonds contribute a fourth of the outstanding funding to the corporate sector

<table>
<thead>
<tr>
<th>Year</th>
<th>Bank Credit</th>
<th>Corporate bonds and commercial papers</th>
<th>External commercial borrowings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mar-13</td>
<td>69.7%</td>
<td>10.7%</td>
<td>19.6%</td>
</tr>
<tr>
<td>Mar-14</td>
<td>69.5%</td>
<td>11.1%</td>
<td>19.3%</td>
</tr>
<tr>
<td>Mar-15</td>
<td>66.8%</td>
<td>12.1%</td>
<td>21.1%</td>
</tr>
<tr>
<td>Mar-16</td>
<td>65.8%</td>
<td>11.7%</td>
<td>22.5%</td>
</tr>
<tr>
<td>Mar-17</td>
<td>64.3%</td>
<td>10.4%</td>
<td>25.3%</td>
</tr>
<tr>
<td>Sep-17</td>
<td>63.2%</td>
<td>10.7%</td>
<td>26.1%</td>
</tr>
</tbody>
</table>

Represents total outstanding stock in Rs lakh crore

Source: RBI; SEBI; Ministry of Finance
Wholesale credit on its way to recovery

Trend in credit growth

Source: RBI, CRISIL Research
Underpinned by improving credit ratios

Semi-annual trends in the credit ratio* and the debt-weighted credit ratio^

**Credit ratio** is the ratio of upgrades to downgrades recorded during a period.

**Debt-weighted credit ratio** is the ratio of total debt on the balance sheets of firms upgraded versus firms downgraded, excludes financial sector players.

Source: CRISIL
However, stress in the banking industry remains

GNPA to reach 10.5% by Mar 18

<table>
<thead>
<tr>
<th>Year</th>
<th>GNPA (Rs. Lakh crore)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mar-15</td>
<td>3.2</td>
</tr>
<tr>
<td>Mar-16</td>
<td>6.1</td>
</tr>
<tr>
<td>Mar-17</td>
<td>8.0</td>
</tr>
<tr>
<td>Sep-17</td>
<td>8.4</td>
</tr>
<tr>
<td>Mar-18P</td>
<td>~9.5</td>
</tr>
</tbody>
</table>

GNPA (Rs. Lakh crore)
Recent announcements augur well for the bond and credit markets

- Move from ‘AA’ to ‘A’ grade ratings for investments by insurance companies, pension and provident funds will improve access to capital market for larger number of companies

- Push for one-fourth of large corporates financing needs from the bond market will provide opportunities and deepen bond market

- Reform measures with respect to stamp duty regime on financial securities transactions across the country will improve operational convenience to issuers

- Government focus on infrastructure, especially in the road sector bodes well for structured credit opportunities

- RBI recent revised guidelines for resolution of stressed assets puts in place a transparent and structured process
Ratings: 2017 Highlights

Financial update
- Growth in revenues driven by debt offerings by large corporate segment offset by muted performance in bank loan ratings and SME segments
- Segment profitability reflects improved efficiencies

Enhance core offerings
- Large number of client additions
- Initiated independent credit evaluation for stressed assets
- First to assign a rating on a hybrid annuity project in India

Launch new products and analytics
- New credit rating scale for infra projects and assigned India’s first rating on new infra scale
- smefirst.com – an online portal for addressing all SME needs
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Global: Continued demand for differentiated investment research in the global markets

**Bottoming out of CIB revenue pools**

<table>
<thead>
<tr>
<th>Year</th>
<th>Securities Services</th>
<th>Transaction Banking</th>
<th>Lending</th>
<th>IBD</th>
<th>Equities</th>
<th>FICC</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>129</td>
<td>64</td>
<td>76</td>
<td>127</td>
<td>97</td>
<td>45</td>
</tr>
<tr>
<td>2014</td>
<td>119</td>
<td>62</td>
<td>85</td>
<td>136</td>
<td>98</td>
<td>46</td>
</tr>
<tr>
<td>2015</td>
<td>110</td>
<td>67</td>
<td>83</td>
<td>133</td>
<td>91</td>
<td>46</td>
</tr>
<tr>
<td>2016</td>
<td>117</td>
<td>58</td>
<td>77</td>
<td>135</td>
<td>90</td>
<td>45</td>
</tr>
<tr>
<td>2017F</td>
<td>105</td>
<td>58</td>
<td>80</td>
<td>139</td>
<td>92</td>
<td>47</td>
</tr>
</tbody>
</table>

**Higher growth in passive and alternative assets under management**

<table>
<thead>
<tr>
<th>Year</th>
<th>Active</th>
<th>Passive</th>
<th>Alternative</th>
<th>Growth%</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>7.3</td>
<td>50.2</td>
<td>0.4</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>14.2</td>
<td>60.3</td>
<td>4.7%</td>
<td>12.3%</td>
</tr>
<tr>
<td>2020E</td>
<td>14.4</td>
<td>73.3</td>
<td>12.8%</td>
<td>9.1%</td>
</tr>
<tr>
<td>2025E</td>
<td>21.8</td>
<td>87.2</td>
<td>11.7%</td>
<td>10.8%</td>
</tr>
</tbody>
</table>

Sources: Coalition, Bloomberg, Industry sources, CRISIL GR&A Analysis

CIB: Corporate and Investment Banking  IBD: Investment Banking Division
FICC: Fixed Income, Currencies and Commodities
Global: Regulatory landscape stabilizing, major world economies witnessing initial signs of synchronized, sustained growth

**Key regulations**

- **Enterprise Risk:** CCAR, DFAST, EBA/PRA Stress Testing
- **Global Regulatory Prescription:** Basel III, IV
- **Accounting regulations:** US GAAP, IFRS

- Global economy is on the upswing with major economies experiencing initial signs of growth momentum
- Focus on regulatory adherence continues, but most major regulations have matured

**Key regulation**

- **MiFID-II** (Markets in Financial Instruments Directive)
- Impacts buy-side and sell-side
- Analytics expected to play an increasingly bigger role

CCAR: Comprehensive Capital Analysis and Review
DFAST: Dodd-Frank Act Stress Tests
EBA: European Banking Authority
PRA: Prudential Regulation Authority
IFRS: International Financial Reporting Standards
India: Key emerging trends and expectations

- Buoyant capital market supporting research needs
- Increasing demand for dynamic and granular data
- Robust growth in AUMs in AMCs over past five years
- Growing demand from the BFSI sector including credit and fixed income research
**Research: 2017 Highlights**

**Financial update**
- Revenue grew with new client additions across India and Global Research
- Opportunities tapped in model risk management, change management, FRTB and FCC
- Margins reflect impact of forex and investments

**Enhance core offerings**
- In India, enhanced India Research delivery platform – “Cutting Edge” and launched ULIP rankings
- Globally, continued expansion across Coalition analytics; risk and research offerings

**Launch new products and analytics**
- Quantix
- SMART (Simple, Modular, Analytics & Research Toolkit)
- TBLS (Transaction Banking & Lending Services)
- SPARC (Shared Platform for Assessing Risk of Counterparties)
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Business environment continues to be driven by policy, regulatory and technological changes

<table>
<thead>
<tr>
<th>Markets</th>
<th>Risk Solutions</th>
<th>Infrastructure Advisory</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Asset quality decline with rising NPAs</td>
<td>• Ambitious and visionary programs by the Indian government in the infrastructure space</td>
</tr>
<tr>
<td></td>
<td>• Leverage Big Data analytics for decisioning</td>
<td>• Opportunities in select emerging markets like Africa and South-East Asia</td>
</tr>
<tr>
<td>Regulators</td>
<td>• Changing regulations with introduction of IFRS9, IndAS and BASEL III</td>
<td>• New funding mechanisms for infrastructure projects</td>
</tr>
<tr>
<td></td>
<td>• Recapitalization of banks by the government</td>
<td>• Shift from policy formulation to implementation and monitoring</td>
</tr>
<tr>
<td>Customers</td>
<td>• Emphasis on financial inclusion and deeper market penetration</td>
<td>• Competitive co-operative federalism -&gt; opportunities at the state and city levels</td>
</tr>
<tr>
<td></td>
<td>• Emergence of payment and small banks</td>
<td>• Changing multilateral landscape</td>
</tr>
</tbody>
</table>
Advisory: 2017 Highlights

Financial update
- Robust revenue growth with key wins across risk solutions and infrastructure advisory
- Segment profitability reflects improving product mix and monetization of investments

Enhance core offerings
- Re-development of key products within Risk Solutions
- Won prestigious mandates from multilateral agencies, city municipalities (AMRUT, Smart cities, Value capture finance etc.)

Launch new products and analytics
- IFRS9 offering
- InfraInvex – “first-of-its-kind investability index”

Revenue (रू. cr)
- 2016: 76
- 2017: 98

Segment profit (रू. cr)
- 2016: -1
- 2017: 9

IFRS: International Financial Reporting Standards
AMRUT: Atal Mission for Rejuvenation and Urban Transformation
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Key risks and challenges

• Uncertain regulatory environment
• Reputation risk
• Disruptive technology
• Adverse currency movement
• Intense price competition
• Cyber risk
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In summary

- Policy developments for bond market and credit growth on a positive trajectory
- Infrastructure and SME push by the Indian government
- Global economic recovery
- Focus on regulatory adherence continues by global financial institutions
- CRISIL is well placed to become a leading agile and innovative global analytics company
- Committed to its mission of making markets function better
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