CRISIL’s 2017 Results
Analyst Meet – February 14, 2018
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Agenda

- Introduction
- Financial highlights
- Segment performance
- Key risks and challenges
- Summary
Over 30 years of innovation and excellence

Establishing leadership in India

1987
Ratings

1991
Research

1993
Infrastructure Advisory

1994
Public issue

1997
S&P acquires 9.68% in CRISIL

1999
Risk Solutions

2000
SME Ratings

2003
Acquired Infac

2005
Acquired Irevna

S&P acquires majority stake in CRISIL

Going global

2008
Acquired Pipal Research

2010
Acquired Economatters

2012
Acquired Economatters

2013
Acquired Irevna

2018
Acquired Pipal Research

2018
Sold Economatters

Expanding globally and in India

2008
Sold Economatters

2010
Sold stake in India Index Services and Products

2012
Acquired Coalition Analytics

2013
Acquired Pragmatix

1993
Acquired Infac

1994
Acquired Economatters

1997
Risk Solutions

2000
SME Ratings

2003
Acquired Infac

2005
Acquired Economatters

Business Divisions

Risk and Infra Advisory – 100% subsidiary

Mergers and Acquisitions
Strong global footprint and delivery capability

Locations

UK
LONDON

INDIA
MUMBAI
AHMEDABAD
GURGAON
HYDERABAD
BENGALURU
CHENNAI

KOLKATA
PUNE

POLAND
WROCLAW

US
NEW YORK

ARGENTINA
BUENOS AIRES

CHINA
HANGZHOU

HONG KONG

SINGAPORE
## Anchored in a position of strength

<table>
<thead>
<tr>
<th>Service</th>
<th>Description</th>
</tr>
</thead>
</table>
| **Ratings**                                  | India’s leading rating agency  
Rating on 25,000+ large and mid-scale corporates and financial institutions; 110,000+ SME ratings assigned to date  |
| **Research**                                 | India’s leading independent research house  
90% of India’s banking industry by asset base are our clients  |
| **Global Research & Analytics**              | World’s top-ranked provider of high-end research and analytics services  
Work with top 75 global financial institutions  |
| **Risk Solutions**                           | India’s eminent BFSI Risk Solutions provider  
Solutions provider to 70 banks and financial institutions in India and emerging markets  |
| **Infrastructure Advisory**                  | Preferred infrastructure advisor to governments and multilaterals  
Operates in India and over 5 other key emerging countries in Asia, Africa and the Middle east  |
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

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

Banks may have to take 60% haircut on 12 largest NPA: Crisil

According to Crisil, direct markdown of loan assets is 70% of all NPAs’ impact on their capital position.

Arun Jailtey should focus on job creation in Budget: Rating agency ... The Indian Express - 06-Jan-2017

Stating that employment has not been increasing in the last three years, Arun Jailtey, the CMD of Crisil today said creating jobs should be the top focus of the Finance Minister in his first budget to be presented on February 1. “The last three years have seen a slow but steady upick in economic growth, but it is likely that this hasn’t ...”

BS-III vehicles ban to cost auto companies nearly Rs 2,700 crore: Crisil

In a report, Crisil Research said it would cost auto companies a total of Rs 2,700 crore to phase out BS-III vehicles.

Rs 4,000 crore renewable projects in crisis due to tariff revision ... Business Standard - 25-Aug-2017

As more states take the route of revision of tariffs for renewable energy projects, recent trends show that the sector could see a major shakeup with close to 7 GW under pressure. "Rajasthan's CRISIL expects Rs 4,500 crore worth of project capacity under threat. Many discos have openly voiced their ..."

CRISIL widely quoted across prominent media

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

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

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 sponsored GARP: 18th Annual Risk Management Convention in New York

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
Agenda

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- Financial highlights
  - Segment performance
  - Key risks and challenges
- Summary
2017 revenues grew by 7%; PAT by 3%

Segment operating revenues

₹ crore

- **4Q 2016**
  - Ratings: 426
  - Research: 277
  - Advisory: 22
  - Total: 725

- **4Q 2017**
  - Ratings: 441
  - Research: 287
  - Advisory: 28
  - Total: 756

- **2016**
  - Ratings: 1,548
  - Research: 1,004
  - Advisory: 75
  - Total: 2,627

- **2017**
  - Ratings: 1,658
  - Research: 1,080
  - Advisory: 98
  - Total: 2,836

Profit after tax^$

₹ crore

- **4Q 2016**
  - 91

- **4Q 2017**
  - 96

- **2016**
  - 294

- **2017**
  - 304

Note: Numbers rounded off

^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* (₹ lakh)

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

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

Source: RBI; SEBI; Ministry of Finance

Represents total outstanding stock in Rs lakh crore
Wholesale credit on its way to recovery

Source: RBI, CRISIL Research
Underpinned by improving credit ratios

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

Source: CRISIL
*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.
However, stress in the banking industry remains

**GNPA to reach 10.5% by Mar 18**

<table>
<thead>
<tr>
<th>Rs. Lakh crore</th>
<th>Mar-15</th>
<th>Mar-16</th>
<th>Mar-17</th>
<th>Sep-17</th>
<th>Mar-18P</th>
</tr>
</thead>
<tbody>
<tr>
<td>GNPA (Rs. Lakh crore)</td>
<td>3.2</td>
<td>6.1</td>
<td>8.0</td>
<td>8.4</td>
<td>~9.5</td>
</tr>
<tr>
<td>GNPA</td>
<td>4.3%</td>
<td>7.5%</td>
<td>9.4%</td>
<td>10.1%</td>
<td>~10.5%</td>
</tr>
</tbody>
</table>

GNPA (Gross Non-Performing Assets)
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

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue (₹ cr)</td>
<td>468</td>
<td>480</td>
</tr>
<tr>
<td>Segment profit (₹ cr)</td>
<td>143</td>
<td>151</td>
</tr>
</tbody>
</table>

+3%  
+6%
Agenda

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  - Ratings
  - Research
  - Advisory
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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>
<th>Total</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>
<td>537</td>
</tr>
<tr>
<td>2014</td>
<td>119</td>
<td>62</td>
<td>85</td>
<td>136</td>
<td>98</td>
<td>46</td>
<td>545</td>
</tr>
<tr>
<td>2015</td>
<td>110</td>
<td>67</td>
<td>83</td>
<td>133</td>
<td>91</td>
<td>46</td>
<td>529</td>
</tr>
<tr>
<td>2016</td>
<td>117</td>
<td>58</td>
<td>77</td>
<td>135</td>
<td>90</td>
<td>45</td>
<td>521</td>
</tr>
<tr>
<td>2017F</td>
<td>105</td>
<td>58</td>
<td>80</td>
<td>139</td>
<td>92</td>
<td>47</td>
<td>519</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>5%</td>
</tr>
<tr>
<td>2016</td>
<td>14.4</td>
<td>60.3</td>
<td>1.2</td>
<td>12.8%</td>
</tr>
<tr>
<td>2020E</td>
<td>14.4</td>
<td>73.3</td>
<td>23.3</td>
<td>9.1%</td>
</tr>
<tr>
<td>2025E</td>
<td>21.8</td>
<td>87.2</td>
<td>36.3</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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- Key risks and challenges
- Summary
Business environment continues to be driven by policy, regulatory and technological changes

### Risk Solutions

<table>
<thead>
<tr>
<th>Markets</th>
<th>Regulators</th>
<th>Customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Asset quality decline with rising NPAs</td>
<td>• Changing regulations with introduction of IFRS9, IndAS and BASEL III</td>
<td>• Emphasis on financial inclusion and deeper market penetration</td>
</tr>
<tr>
<td>• Leverage Big Data analytics for decisioning</td>
<td>• Recapitalization of banks by the government</td>
<td>• Emergence of payment and small banks</td>
</tr>
</tbody>
</table>

### Infrastructure Advisory

<table>
<thead>
<tr>
<th></th>
<th>• Ambitious and visionary programs by the Indian government in the infrastructure space</th>
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<tbody>
<tr>
<td></td>
<td>• Opportunities in select emerging markets like Africa and South-East Asia</td>
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<tr>
<td></td>
<td>• New funding mechanisms for infrastructure projects</td>
</tr>
<tr>
<td></td>
<td>• Shift from policy formulation to implementation and monitoring</td>
</tr>
<tr>
<td></td>
<td>• Competitive co-operative federalism -&gt; opportunities at the state and city levels</td>
</tr>
<tr>
<td></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
• InfralInvex – “first-of-its-kind investability index”
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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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