Priti Arora: Thank you, Ashu Suyash, Gurpreet, Srini, Ramraj for sharing your perspective. We are now open for Q&A. So we would request you to just raise your hand and we will make sure that the microphone reaches you and would request if you could just introduce yourself as well as the organization before starting. Thank you.

Nischint Chawathe: My name is Nischint from Kotak Securities. Just two questions; one is on the bond rating side, has your rating revenue on bond ratings kept pace with the overall bond volumes? And the second is you had a slide, which talks about recent positive announcements that will augur well for bond markets? You had a number of interesting points so maybe if you could quantify in terms of what is the revenue pool that each of those points brings in? Thank you.

Gurpreet Chhatwal: We do not talk about our revenues from bond and BLR separately. I would not be able to answer that. On the quantifications you realize that some of these announcements have just come in a couple of days back, so I guess that it will be difficult to quantify and some of those announcements are also dependent on the regulators. I did give a sense on the size of the A and the A+ potential market sizing; the outstanding bank loans for rated A and A+ corporates is about 6 lakh crores, and one-fourth of that can potentially move to the bond market. You know our standard fees and I think there is a sense of what pool is available, I mean if it is more than 25% of the total market, less than 25% that you can quantify. The announcement that came in day before yesterday night at about 8 o’clock is work-in-progress, but I think that will be a little bit more challenging to quantify because of many variables namely, the bank boards have to now take that into account and also some of them are known NPAs, many of them are unknown. So I guess there is a little bit of work to do and once we meet with the bank stakeholders is when we will be able to quantify.

Nischint Chawathe: Just going back to my first question, I think, the point that I was trying to make is that has the margin in bond ratings gone down on a year-on-year basis? So your volumes are going up, but possibly your realizations are kind of not keeping pace and I guess that is logical given the fact that you would be doing a lot more AA and AAA ratings in the last one year because those are the guys who have approached bond markets and over a period of next one or two years, as we would expect some of the lower rated guys to approach the bond markets does that really change the profile of margins? That was the point I was asking.

Gurpreet Chhatwal: I think there are two aspects here. When you look at the bond rating revenues, there are existing clients where we have a surveillance fee element. There are new ratings which you do, some of which are existing customers where in some cases probably fee caps exists and then there are new customers who come in the market, which come at a different pricing points, and we expect growth to happen there.

Amish Mehta: So Nischint, if you look at our results, which were announced yesterday, the ratings segment margin has actually gone up and if we remove adverse impact in the SME business, the margins for the balance domestic ratings business would be even higher.
Question from Attendee: I am Dipojjal Saha from Antique Stock Broking. I just wanted to ask you on the municipality side, what is the kind of traction you are seeing in the bonds being raised by the municipalities and how big can that opportunity be?

Gurpreet Chhatwal: I think there is a good amount of discussion there, but today you have a preference by many investors, banks, PFs and insurance companies to invest in AA and above. If you look at the total pool of municipalities, I think the pyramid is quite steep. Municipalities that can get AA and above rating, even after structuring, are a relatively small number. I think that is a segment we believe we are positive from a long run perspective, but what happens over the next six to 18 months is also dependent how the structuring works and how much money is infused in that segment and what kind of projects we see. So to be fair, it is not very clear at this point of time how much will come in, but yes there are a few of the larger ones likely to approach the market.

Ramraj Pai: If I may just kind of add on to that, so I think there is a bit of a dumb-bell approach in this whole thing, so at one end you have a lot of these very well off municipalities who are actually well rated, but at the same time hold a lot of cash and they have very strong pools of revenue. Then you have a whole host of other people at the other end who are extremely weak, the really small ones. As I mentioned somewhere in the part on infra side today there is a significant drive on the urban side to really enhance their pools of revenue to really look at what new sources of finance could be made available. The value capture finance is really a big area that a lot of the municipalities are really looking at to figure out how to enhance their revenue pools because what will be needed is for a lot of these organizations to become financially viable and therefore get good ratings and then raise the money, because as you are aware, the whole smart city agenda is something, which is quite substantial. There are multiple projects, which are on the anvil on the smart city side and these would be done through SPVs, but essentially there will be a need for debt to be raised in these SPVs. But still a bit of early days and for us to be able to really see an explosion in municipal bond financing, I think we are bit away. But I think the process of, if you would say municipality is starting to look at how to enhance their pool of revenues, if you leave out the Pune’s and the Chennai’s and the Calcutta’s, you know the usual top 10 cities where the economic activity is very robust. I think the efficiency of some of these processes still needs some degree of progress and I think we are in that path, so I would say still a bit away from. I mean you could see an odd issuance here or there, but I am not seeing that we will see substantial bond issuances say in 2018. Sameer do you have anything particular you would like to add on this.

Sameer Bhatia: Thanks Ramraj. This is Sameer Bhatia. I head the Infrastructure Advisory Business, so I think what Ramraj has said is absolutely right. We do not expect the municipal bonds to really completely go and we have about 40 to 50 issuances. I do not think that is going to happen. It is going to be a slow process. I think the credit worthy municipal corporations are handful of about 20 odd that ministry has identified and we expect not more than seven or eight issuances to happen in the next one year or so and I think the critical thing is that those cities perhaps are cash rich as Ramraj has said, so not too much of activity we are expecting there from a big opportunity perspective.

Alok Shah: Thanks for the opportunity. This is Alok Shah from Centrum. An extent of the question that was asked from Nischint, when you talk about ratings business, the bonds side business, have you seen any real big pickup in bond volumes, I mean we do not disclose bond ratings and BLR ratings separately, but
are we trying to keep pace with market share on the bond volume side has it really gone upwards? The second question here will be how the surveillance market behaving? That is for the rating business and may be if I can ask something for the research side, what are the steady state margins that we look in the research business?

Gurpreet Chhatwal: I think on the bond volumes growth as you would, we are a leading rating agency, so I guess it is proper to say that we participated in the growth of the bond market. Our presence has also increased and I talked about acquisition of large companies due to the dual CP, which is also part of the capital market. On the surveillance side I think it is a steady business, you have clients you work with them, you service them and these are long-term relationships, so I guess that is an area which continues to grow on a year-on-basis in terms of the amount of debt you rate with them and that is surveillance kicks in about a year after that.

Ashu Suyash: I would just add that our observation through 2017 was that clients continue to value high quality analysis and analytics. So when we provide a rating the in-depth insights they gain on their own business and what it would mean from a future positioning point of view for them remains very relevant as is also shown as far as bond prices go and I think that is really the perceptible outcome of the quality of our offering.

V. Srinivasan: Your question on the steady state margins of the research business. As you rightly said that the segment has a large portion of revenues coming from global customers and therefore the currencies are very important driver, so I think, Amish did share some numbers around what was swing happened in terms of the currency numbers through 2017. But I think on a more steady state I think we should average around where the company margins are.

Atul Mehra: Thanks for the opportunity. Atul Mehra from Motilal Oswal Asset Management. My question is on the research business. If you look at it for the past five years or so, there has been steady deceleration trend in terms of growth rates, so what used to be 25% at one point in time is now down to about single digits. So while you spoke about the various sub-segments within research, if you could highlight in more detail, which are the businesses within research, which are facing growth issues, is it on the sale side which is facing more issues, the buy side is facing more issues. Where is growth really decelerating the most that is number one and second is if you look at this business over the next five years or so how would you think growth should be in this business, are we now at around 10% to 12% growth or do we see at coming back to 20% plus, how do we look at growth in this business?

Ashu Suyash: So before you start Srin I think we should be mindful, we did say upfront, there is no question of providing any guidance. I think what we can share is what we are seeing happening in the industry and you would have heard a lot of that, I just wanted to stake that upfront just for your own clarification.

V. Srinivasan: I think it is quite important to look at the growth of this business segment in the context and the environment, which you are serving and that is why I spent some time talking about what is the impact that the global investment banks are facing post crisis and where are the opportunities. I think the way to look at the research segment is that we have a large portion of our revenues coming from the global research support that we do for the sell side and buy side, but there is also a substantial revenues that
are now coming from the risk and analytics business, which is supporting, driving on the regulatory changes that the banks have been imposed of, so if you were to look at in the context of, I mean if you were suppose, if it did nothing and there was that we had just that global research business probably you would have seen a very sharp decline because that segment is something that is under stress, but what we have really done is to expand the whole offerings and the capabilities that we have where we have taken on from the research side and where we have started supporting on the risk side and that has sort of provided the real growth momentum in the business. Therefore when we say that in the past we were growing at 20% - 24%, I think we are talking about when the banks were growing at that pace in the global markets; when the banks had an ROE of 24% to 32% in pre-crisis and now they are at an 8% to 12% kind of an ROE. So I think in that context, the growth that we have, we believe that, adjusted for currency it is still growing in strong way, so in that sense I feel that the growth in the context of the environment is still pretty strong.

Ashu Suyash: I would also add couple of things. Part of the reason of our big focus from a future point of view is analytics, because people are looking at going beyond just research and that perspective given the investments we have made, we think we will be able to participate in their new requirements. A good example is on our analytics business done out of Coalition, where after serving the investment banking side, which is not from a sell side research perspective, but more from a business intelligence and a decision making perspective, we find that despite CIB revenue pool shrinking the demand for those analytics have continued to grow because end of the day when the going is tough, people look for even deeper and sharper insights and that is where we see this business pivoting. The second thing to be mindful about is just the absolute size of this business so there is base effect when you look at year-on-year comparison.

Sachin Shah: This is Sachin Shah from Emkay Investment Managers. CRISIL made an investment in CARE. Can you just share some thoughts behind that please?

Ashu Suyash: We made this investment in the ratings industry. It is an industry we understand extremely well. Since we are a cash rich company, we have always been looking for investments and we would not make an investment in sectors we do not understand. So that was part of the company’s strategy.

Sachin Shah: Sure, but we always at least the way we look at it we felt that CRISIL is a far better quality in terms of the outboard and the research ratings and all of that has compared to the competition, with some of the changes in the SEBI rules also we felt that the competition should have tougher time as compared to CRISIL, because of the kind of the quality rating that you guys have posted since that you guys have so by you taking this stake it really feel that you are endorsing their business model now and it sounds like a little bit of conflict to my mind and so this is otherwise we would have felt they would have actually been in trouble but you now actually taking stake here it is like you are endorsing their business model?

Ashu Suyash: Thank you for talking about how highly our quality is valued and perceived; we as a team take great pride in and by making this investment none of that changes. Everybody makes investments only in sectors they understand. Second is it is about the long-term is not about here and now and third it is an investment, it was not to about any seat on the board so that there is no question of any conflict.
Sachin Shah: Thank you.

Priti: I do not think we have any further questions. Thank you so much for taking the time out to be here and for your participation. We have a high tea so please do join us for that we hope that you found this interaction to be insightful and the presentation will be available on our website shortly. Thank you all.
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Last updated: April 2016