Creating possibilities

CRISIL Analyst Presentation

April 2022
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Agenda

1. Introduction

2. Business environment

3. Performance update

4. Financials

5. Segment performance

6. Thought leadership & Corporate social responsibility

7. Risks
CRISIL: Over 30-year journey of innovation and excellence

- **11%**  
  2011-21 Revenue CAGR

- **8%**  
  2011-21 EPS CAGR

- **11**  
  Countries where we have global presence

- **4,200+**  
  Employees globally as of March 31, 2022

- **38%**  
  Female employees globally as of March 31, 2022

- **42+**  
  Nationalities and global languages spoken

#Agile  
Unleashing  
Defining  
Empowering decision-making

to market needs  
#Innovation  
#Global best standards  
with cutting-edge  
#Analytics
Agenda

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6. Thought leadership & Corporate social responsibility
7. Risks
Global growth to moderate amid rising risks

GDP growth (%)

<table>
<thead>
<tr>
<th>Region</th>
<th>2019</th>
<th>2020</th>
<th>2021E</th>
<th>2022F</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>3.2</td>
<td>5.7</td>
<td>3.3</td>
<td>3.2</td>
</tr>
<tr>
<td>Eurozone</td>
<td>5.2</td>
<td>4.9</td>
<td>5.2</td>
<td>4.9</td>
</tr>
<tr>
<td>China</td>
<td>8.1</td>
<td>8.9</td>
<td>2.4</td>
<td>2.4</td>
</tr>
<tr>
<td>Japan</td>
<td>1.7</td>
<td>2.4</td>
<td>1.7</td>
<td>2.4</td>
</tr>
<tr>
<td>India</td>
<td>7.8</td>
<td>8.9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>World</td>
<td>3.9</td>
<td>2.8</td>
<td>2.8</td>
<td>3.6</td>
</tr>
</tbody>
</table>

E: Estimated; F: Forecast;
Source: S&P Global (March 2022); India outlook is for the fiscal year FY22 and FY23 respectively
Overall market trends positive, but risks remain

<table>
<thead>
<tr>
<th>Market trends</th>
<th>Business environment trends</th>
</tr>
</thead>
<tbody>
<tr>
<td>Moderating economic growth</td>
<td>Capital market activity losing momentum</td>
</tr>
<tr>
<td>Expected capex cycle revival</td>
<td>Increased emphasis on credit and non-financial risk</td>
</tr>
<tr>
<td>Geopolitical uncertainty</td>
<td>Accelerated digital transformation</td>
</tr>
<tr>
<td>Inflationary pressures</td>
<td>Social and sustainable practices gaining momentum</td>
</tr>
<tr>
<td></td>
<td>Evolving supply chain dynamics</td>
</tr>
</tbody>
</table>
Agenda

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Robust performance driven by...

- **Strong financial show in the first quarter (Q1) ended March 31, 2022**
  - Income from operations up 20.1% and for the year 2021 up 16.1%
  - Profit before exceptional items and tax up 53.2% and for the year 2021 up 24.9%
  - Profit after tax up 45.6% and for the year 2021 up 31.3%

- **Sustained progress on customer, operations, and people agenda**
  - Focus on customer centricity leading to robust client additions across business segments
  - Maintained market-leading position in corporate bond ratings, and saw robust traction across risk transformation, credit risk, buy-side research and sustainability
  - Launched several innovative products and solutions across the credit, risk and regulatory space
  - Enhanced engagement with stakeholders through whitepapers, webinars and events
  - Continued focus on ‘employee-first’ approach through multiple initiatives
  - Accelerated investment spend in people and technology
...customer-centric innovation and solutions

Launched several products, including pricing engine, asset classification tool, new industry reports and risk benchmarking

Delivered multiple new risk transformation projects for global banks and financial institutions

Assigned new ratings across stressed assets and structured finance

Enabled clients to meet regulatory mandate for Interbank Offered Rate transition (IBOR), Fundamental Review of Trading Book (FRTB) and Comprehensive Capital Analysis and Review (CCAR)

Supported ESG evaluations and opinions in S&P Global Ratings

Analytics referenced in over 300 Articles and 100 investor presentations. Presented to over 100 executive committees of banks
...investments in talent and technology

**Talent**

- **Launched ‘Manager of the Future’ Programme** to upskill people managers on new and evolved skills needed to be effective in hybrid work environment

- **Sizable scaled-up new-age, techno-functional skilled workforce** to ~1200 employees (~30% of the total employee base)

- **Significant focus on skilling employees on sustainability (ESG) as a strategic business imperative**

- **Launched DEI statement** to enable a culture of care and shared values

**Technology**

- **Accelerated growth through cutting-edge tech solutions**

- **Application modernization**

- **Development of application platform towards building better operating leverage**

- **Security enhancements and movement towards cloud adoption**

DEI: Diversity, equity and inclusion
Launched a comprehensive ESG compendium and ESG scores for top 225 Indian companies

CRISIL Ratings has commenced disclosing the impact of ESG parameters separately when assigning credit ratings

Integrated ESG analytics, research and benchmarks for global financial institutions

Thought leadership through flagship events, webinars and publications

...commitment to sustainability...
Recognition through multiple awards and honours

Great Place to Work Recognition
Awarded 2nd year in a row

Diversity Recognition
Part of “2021 Working Mother & Avatar Best Companies for Women in India”

Diversity Recognition
Part of “IWEI Top Employers”

Marketing Impact Recognition
Product Launch – ESG Gauge

Global Recognition
Risk Markets Technology Award for best modelling innovation - SEM

Human Resources Recognition
HR Excellence Award

Diversity & Inclusion
Excellence Award

CSR Recognition
CSR Foundation of the Year Award
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Continued healthy performance for full year 2021 and Q1 2022

<table>
<thead>
<tr>
<th>Income from operations</th>
<th>Profit before exceptional items and tax</th>
<th>Profit after tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>₹ crore</td>
<td>₹ crore</td>
<td>₹ crore</td>
</tr>
<tr>
<td>Q1 2021: 495.2</td>
<td>Q1 2022: 594.9</td>
<td>Q1 2021: 83.5</td>
</tr>
<tr>
<td>+20.1%</td>
<td>+53.2%</td>
<td>+45.6%</td>
</tr>
<tr>
<td>2020: 1,981.8</td>
<td>2021: 2,300.7</td>
<td>2020: 354.7</td>
</tr>
<tr>
<td>+16.1%</td>
<td>+24.9%</td>
<td>+31.3%</td>
</tr>
<tr>
<td>Q1 2021: 110.5</td>
<td>Q1 2022: 169.3</td>
<td>Q1 2021: 121.6</td>
</tr>
<tr>
<td>+20.1%</td>
<td>+53.2%</td>
<td>+45.6%</td>
</tr>
<tr>
<td>Q1 2021: 458.3</td>
<td>Q1 2022: 572.6</td>
<td>Q1 2021: 465.8</td>
</tr>
<tr>
<td>+24.9%</td>
<td>+31.3%</td>
<td>+31.3%</td>
</tr>
</tbody>
</table>

- Final dividend of Rs 22 per share for year 2021, including a special dividend of Rs 7 per share. Total dividend of Rs 46 per share for the year 2021 vs Rs 33 per share in 2020
- Interim dividend of Rs 7 per share for the quarter ended March 31, 2022

Numbers rounded off to first decimal; Profit after tax for the year ended December 31, 2021, includes profit on sale of property
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Bond issuance drops further amid uncertain environment and risk aversion; wholesale credit growth remains muted

Source: RBI, SEBI, Ministry of Finance, Prime Database, CRISIL
Our differentiated analytical rigour

Long-run one-year default rates (average for the 10 years ending FY2021)

<table>
<thead>
<tr>
<th></th>
<th>AAA category</th>
<th>AA category</th>
<th>A category</th>
<th>BBB category</th>
</tr>
</thead>
<tbody>
<tr>
<td>CRISIL</td>
<td>0.01%</td>
<td>0.09%</td>
<td>0.18%</td>
<td>0.71%</td>
</tr>
<tr>
<td>OCRA1</td>
<td>0.70%</td>
<td>0.50%</td>
<td>0.60%</td>
<td>1.50%</td>
</tr>
<tr>
<td>OCRA2</td>
<td>0.10%</td>
<td>0.10%</td>
<td>0.30%</td>
<td>1.70%</td>
</tr>
<tr>
<td>OCRA3</td>
<td>0.21%</td>
<td>0.19%</td>
<td>0.90%</td>
<td>2.59%</td>
</tr>
<tr>
<td>OCRA4</td>
<td>0.55%</td>
<td>1.18%</td>
<td>1.81%</td>
<td>2.49%</td>
</tr>
</tbody>
</table>

Source: Data from disclosures by CRAs on “Long run average default rates” for FY2020-21 as per SEBI circular dated June 13, 2019

@OCRA4 has disclosed average default rates only for last 5 financial years. It has also disclosed default rates separately for structured and non-structured instruments, which is contrary to the circular. The data presented here is for non-structured instruments.
## Ratings: Highlights

### Financials

<table>
<thead>
<tr>
<th>Particulars (₹ cr)</th>
<th>Q1 2021</th>
<th>Q1 2022</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income from operations</td>
<td>148.9</td>
<td>163.3</td>
<td>9.7%</td>
</tr>
<tr>
<td>Segment profit</td>
<td>70.3</td>
<td>77.8</td>
<td>10.7%</td>
</tr>
<tr>
<td>Margin</td>
<td>47.2%</td>
<td>47.6%</td>
<td>41 bps</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Particulars (₹ cr)</th>
<th>2020</th>
<th>2021</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income from operations</td>
<td>565.0</td>
<td>604.1</td>
<td>6.9%</td>
</tr>
<tr>
<td>Segment profit</td>
<td>226.7</td>
<td>252.7</td>
<td>11.5%</td>
</tr>
<tr>
<td>Margin</td>
<td>40.1%</td>
<td>41.8%</td>
<td>170 bps</td>
</tr>
</tbody>
</table>

### Business update

- CRISIL Ratings continues to strengthen its leading position in the corporate bond market driven by investor preference for best-in-class ratings and new client additions
- Global Analytical Center (GAC) sustained its analytics surveillance support across all practices and continued to drive the data and technology transformation agenda of S&P Global Ratings Services
- Ratings segment revenue grew 9.7% on-year for the quarter ended March 2021, and 6.9% for the year ended 2021

*Note: Numbers rounded off to first decimal*
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Global CIB revenue normalises; RoE expected to improve

Revenues Pools analysis includes revenues from all Institutional Clients and Corporates with annual sales turnover > $1.5bn; FY22 is as per preliminary estimates. Above analysis is as per Coalition Standard Taxonomy; Source: Coalition Proprietary Analytics

Source: Coalition Proprietary data; ROE calculated based on Coalition Index Universe

CIB: Corporate and Investment Bank
Evolving regulations present opportunities

**USA**
- BSA / AMLA
- CECL
- DFAST
- FRTB
- OCC’s MRM Handbook
- UMR (Phase V and VI)

**Europe, including the UK**
- BASEL III finalization
- CBES, SS 3/19
- CCR
- DTS plan deficiencies
- ICAAP
- IRRBB
- SFDR, EU Taxonomy
- Regulatory reporting
- UMR (Phase V and VI)

**APAC and Australia**
- APS 117
- BRSR
- CPS 230
- CVA
- Data Privacy
- E&S Integration

**Global themes**
- ESG integration, reporting
- FCC/AML
- Stress Testing
- Cyber security
- Third-party risk
- Customer and Conduct risk

**Abbreviations**
- BSA/AML: Banking Secrecy Act, Anti-Money Laundering Act
- CECL: Current Expect Credit Loss
- DFAST: Dodd-Frank Act Stress Tests
- FRTB: Fundamental review of the Trading Book
- OCC’s MRM: Office of the Comptroller of the Currency; Model Risk Management
- UMR: Uncleared Margin Rules
- BASEL III: Finalization of the Basel III Accord
- CBES: BOE’s Climate Biennial Exploratory Scenario
- SS 3/19: BOE’s Supervisory Standard on Climate Risk
- CCR: Counterparty Credit Risk
- DTS: Digital Transformation Strategy
- ICAAP: Internal Capital Adequacy Assessment Process
- IRRBB: Interest Rate Risk in the Banking Book
- SFDR: Sustainable Finance Disclosure Regulation
- APS 117: APRA’s prudential standard for IRRBB
- BRSR: Business Responsibility and Sustainability Report
- CPS 230: APRA’s new standard for operational risk mgmt.
- CVA: APRA’s Climate Vulnerability Assessment
- E&S Integration: Environmental and Social Integration
Indian markets continue strong run, ends fiscal 2022 on a high

- Heightened activity in capital market and growth in bank credit leading in focus areas power demand for research, valuations and analytics
- Infrastructure-led capex in roads and renewables by government and PLI-led capex revival to boost spending
- Focus on newer areas such as sustainability and green sectors

PLI: Production Linked Incentives

### India mutual funds AUM*

<table>
<thead>
<tr>
<th>Year</th>
<th>₹ '000 crore</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>2,237</td>
</tr>
<tr>
<td>2018</td>
<td>2,366</td>
</tr>
<tr>
<td>2019</td>
<td>2,687</td>
</tr>
<tr>
<td>2020</td>
<td>2,993</td>
</tr>
<tr>
<td>2021</td>
<td>3,864</td>
</tr>
</tbody>
</table>

*Average AUM for the Quarter; Source: AMFI

### Alternative Investment Funds (AIFs)

<table>
<thead>
<tr>
<th>Year</th>
<th>Commitments (₹ '000 crore)</th>
<th>Investments (₹ '000 crore)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>239</td>
<td>93</td>
</tr>
<tr>
<td>2019</td>
<td>348</td>
<td>142</td>
</tr>
<tr>
<td>2020</td>
<td>442</td>
<td>185</td>
</tr>
<tr>
<td>2021</td>
<td>609</td>
<td>267</td>
</tr>
</tbody>
</table>

Source: SEBI
Research: Highlights

Financials

<table>
<thead>
<tr>
<th>Particulars (₹ cr)</th>
<th>Q1 2021</th>
<th>Q1 2022</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income from operations</td>
<td>312.2</td>
<td>394.2</td>
<td>26.3%</td>
</tr>
<tr>
<td>Segment profit</td>
<td>53.2</td>
<td>95.6</td>
<td>79.7%</td>
</tr>
<tr>
<td>Margin</td>
<td>17.0%</td>
<td>24.3%</td>
<td>730 bps</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Particulars (₹ cr)</th>
<th>2020</th>
<th>2021</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income from operations</td>
<td>1282.7</td>
<td>1543.7</td>
<td>20.3%</td>
</tr>
<tr>
<td>Segment profit</td>
<td>209.0</td>
<td>324.1</td>
<td>55.1%</td>
</tr>
<tr>
<td>Margin</td>
<td>16.3%</td>
<td>21.0%</td>
<td>470 bps</td>
</tr>
</tbody>
</table>

Business update

- Revenue growth at Global Benchmarking Analytics was driven by increased engagements with key clients in the corporate, commercial, and investment banking space
- Global Research & Risk Solutions (GR&RS) business saw client wins and continued to grow led by increased demand for our offerings in the areas of risk, data transformation, regulatory, product control, sustainability, and buy-side research
- GR&RS continued to cater to regulatory and transformation-oriented demand, by leveraging synergies and striking partnerships
- The India Research business witnessed growth following the pick-up in economic activity with increased traction for data, sustainability and capital market research offerings
- The overall Research segment revenue grew 26.3% on-year for the quarter ended March 2022 and 20.3% for the year ended 2021

Note: Numbers rounded off to first decimal
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Focus on infrastructure and technology adoption to create needs for advisory services, analytics and digital solutions

**Infrastructure Advisory**

- Higher budgeted Infra capex proposed for 2022 - areas of focus such as Roads, Ports, Logistics and Energy
- Higher allocation under PLI scheme to give a fillip to renewables and sustainability themes
- Diversification in long term funding sources for infrastructure investment – Green bonds, foreign investment, PPP model, asset monetization, InvITs, etc.
- Increasing emphasis on advisory solutions around emerging new solutions to mitigate climate change

**Business Intelligence and Risk Solutions**

- Demand for integrated credit and risk solutions combining data, analytics and customizable workflows
- Focus on digitizing client and internal process journeys to enhance user experience and increase productivity
- Financial services firms accelerating migration to the Cloud with a preference for implementation light SaaS solutions
- Demand for platforms and services for regulatory and compliance related reporting

PLI: Production Linked Incentive
PPP: Public-Private Partnership
InvITs: Infrastructure Investment Trust
### Advisory: Highlights

#### Financials

<table>
<thead>
<tr>
<th>Particulars (₹ cr)</th>
<th>Q1 2021</th>
<th>Q1 2022</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income from operations</td>
<td>34.0</td>
<td>37.4</td>
<td>10.0%</td>
</tr>
<tr>
<td>Segment profit</td>
<td>2.6</td>
<td>4.1</td>
<td>57.7%</td>
</tr>
<tr>
<td>Margin</td>
<td>7.6%</td>
<td>11.0%</td>
<td>341 bps</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Particulars (₹ cr)</th>
<th>2020</th>
<th>2021</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income from operations</td>
<td>134.1</td>
<td>152.9</td>
<td>14.0%</td>
</tr>
<tr>
<td>Segment profit</td>
<td>10.1</td>
<td>16.6</td>
<td>64.4%</td>
</tr>
<tr>
<td>Margin</td>
<td>7.5%</td>
<td>10.9%</td>
<td>340 bps</td>
</tr>
</tbody>
</table>

#### Business update

- The Advisory segment saw good momentum with revenue growing 10.0% on-year during the quarter ended March 2022 and 14.0% during the year ended 2021
- The Infrastructure Advisory business won mandates from multilaterals and the private sector and expanded its overseas clients’ footprint
- The Business Intelligence and Risk Solutions business saw traction for its client risk & regulatory reporting solutions and deepened its wallet share with existing domestic and international clients

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A ‘trusted’ voice in media

Media

A Green Turn Towards Net Zero

The credit quality of India Inc and that anti-fragile vibe

Making room to grow

The growth in

Webinars and events

Report

Convergence in meth, know the blind spots

Race to comply with SFDR and taxonomy rules

Social media

Competitive Challenges 2021

Investment Management India: Past, Present and Future: Tapping Points of Business as One Generation Passes to Another
Driving social impact via CRISIL Foundation for the past 9 years

**2013-14**
Ideation and pilot testing of key CSR Initiatives
- Formally registered as the CSR Arm of CRISIL Limited
- CSR Strategy focusing on women empowerment (Mein Pragati) and environment conservation (CRISIL Re)

**2015-16**
Tapping the social value within CRISIL
- CRISIL RE and Change The Scene (CTS) – the bedrock of CRISIL’s environment conservation & employee engagement

**2017-20**
Impact focus, agile Covid-19 response
- Mein Pragati enters Phase II to drive sustainable impact through Sakhi cadre.
- Covid response - The 10k Meal Project for daily wage earners, Oxygen For All to support hospitals, Vaccination for communities

**2021-22**
Scale-up in 18 states/UTs with RBI’s support
- Plans afoot to expand Mein Pragati impact and reach
- Scale-up of CFL centres in 18 states/UTs with support from RBI
- 1 lakh plantations completed through CRISIL Re

CRISIL Foundation, CRISIL CSR arm has been awarded the CSR Foundation of the Year Award (small company category) at the 7th CSR Impact Awards organised by CSR Box & Dalmia Bharat Foundation.
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Risks

- Geopolitical environment
- Evolving regulatory landscape
- Information security and cyber-related risks
- People cost inflation
- Currency movement
- Reputation risk
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CRISIL is a leading, agile and innovative global analytics company driven by its mission of making markets function better. It is India’s foremost provider of ratings, data, research, analytics and solutions, with a strong track record of growth, culture of innovation and global footprint. It has delivered independent opinions, actionable insights, and efficient solutions to over 100,000 customers. It is majority owned by S&P Global Inc, a leading provider of transparent and independent ratings, benchmarks, analytics and data to the capital and commodity markets worldwide.

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