

CRISIL Sep-2020

Financial Results & Highlights

Brief Company Introduction

CRISIL (formerly Credit Rating Information Services of India Limited) is a global analytical company providing ratings, research, and risk and policy advisory services. CRISIL's majority shareholder is Standard & Poor's, a division of McGraw Hill Financial and provider of financial market intelligence.

Standalone Financials (In Crs)								
	Sep-20	Sep-19	YoY %	Jun-20	QoQ %	9MSep20	9MSep19	YoY
Sales	268	290	-7.59%	230	16.52%	742	738	0.54%
PBT	67	100	-33.00%	43	55.81%	168	171	-1.75%
PAT	50	71	-29.58%	32	56.25%	127	120	5.83%
Consolidated Financials (In Crs)								
	Sep-20	Sep-19	YoY %	Jun-20	QoQ %	9MSep20	9MSep19	YoY
Sales	522	480	8.75%	484	7.85%	1464	1330	10.08%
PBT	114	148	-22.97%	93	22.58%	324	359	-9.75%
PAT	90	105	-14.29%	66	36.36%	245	249	-1.61%

Detailed Results:

1. The current quarter was encouraging for the company with consolidated revenues rising by 8.75% but profits fell 14% YoY.
2. Excluding Greenwich Associates, revenues would have risen 0.3% YoY while profits would have risen 5.1% YoY.
3. In the 9MSep20, the revenues have risen 10% YoY while profits have fallen 1.6% YoY. Excluding Greenwich Associates, revenues would have risen 1% YoY while profits would have risen 18.5% YoY in the 9M period.
4. The board of directors has declared a third interim dividend of Rs 7 per share.
5. The rating business declined 4% YoY due to a sharp slowdown across investment and consumption-oriented sectors. Global Analytical Center (GAC) saw an increase in support coverage for S&P Global Ratings which included support for key initiatives such as environmental, social, and governance evaluations, and inferencing impact of Covid-19.
6. The research business grew 22.1% in revenues due to robust growth in the Global Research & Analytics business and contribution from Greenwich. The focus in this space was on client renewals and new mandates. Excluding Greenwich, this segment would have grown only 3.5% YoY.
7. Overall performance in the advisory business was affected by an across-the-board reduction in infrastructure spends. Revenues in this division fell 6.4% YoY.
8. The company also saw consolidated forex losses of Rs 5.91 Cr in the Sep quarter.

Analyst's View:

CRISIL has been a trusted financial service and information provider for a long time. They have established themselves as a reputed name in their operational fields of ratings, research, and advisory. The company saw a good response to the rating business while the research business grew steadily with the addition of Greenwich Associates to the company's umbrella. Although the profits for the company are subdued due to the addition of Greenwich without which PAT growth would have been 18% YoY, this drop in profits looks to be temporary only. The advisory business suffered a lot due to reduced spending by clients on projects. It remains to be seen how long the pandemic lasts and what second-order effects the COVID-19 situation will have on the company's performance going forward. Nonetheless, given the company's industry position and its financial resilience, CRISIL remains a pivotal stock in the rating sphere. The valuation multiple of the company continues to be near the lowest level in the last ten years which makes it an attractive potential investment for the long term.

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