CRISIL

RESULT FLASH

Oven Fresh

KEY DATA

Rating	BUY
Sector relative	
Price (INR)	1,871
12 month price target (INR)	2,025
Market cap (INR bn/USD bn)	136/1.8
Free float/Foreign ownership (%)	14.8/12.4

QUICK TAKE

	Above	In line	Below
Profit	•		
Margins		•	
Revenue Growth			•
Overall		•	

Ratings decline; research strong

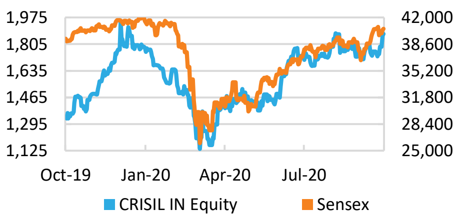
Crisil's Q3CY20 revenue grew 11.3% post growing 13.5% YoY in Q2CY20 to INR4.85bn. Adjusted for Greenwich acquisition sales grew 0.3%YoY. EBITDA was flat YoY at INR1.13bn and margins decreased by 262bps YoY to 23.4%. This was led by 22%YoY increase in employee expenses. PAT declined 14% YoY to INR902mn led by IndAS adoption and jump in interest expense.

Rating declined by 4% in Q3CY20 post a growth of 10.1%YoY in Q2CY20 and 2.8%YoY growth in Q1CY20. However, the dip is also on a high base of 16% growth in the base quarter. Research services grew 22.1%YoY in Q3CY20. This included Greenwich acquisition sales of INR479.2mn, adjusted for which research grew 3.5%YoY.

FINANCIALS (INR mn)

Year to December	CY19A	CY20E	CY21E	CY22E
Revenue	17,317	19,373	20,775	22,320
EBITDA	4,558	4,921	5,775	6,227
Adjusted profit	3,439	3,589	4,028	4,433
Diluted EPS (INR)	46.9	48.9	54.9	60.5
EPS growth (%)	(6.6)	4.4	12.2	10.0
RoAE (%)	29.8	30.0	31.6	31.8
P/E (x)	39.9	38.2	34.1	30.9
EV/EBITDA (x)	28.4	27.2	22.9	20.9
Dividend yield (%)	1.5	1.6	1.6	1.6

PRICE PERFORMANCE



Bull's eye- How did we fare?

1. Revenue increased by 11.3% YoY and was 4% below our estimate.
2. EBITDA was flat YoY and was 10% below our estimate.
3. PAT was down 14% YoY and was 6% above our estimate.

Course correct – Earnings implications?

We await further commentary from management on market demand and outlook of the bond market, along with further clarity on the turnaround of the Greenwich acquisition.

Hello Mr. CEO – What to ask?

- What is the impact of the recent developments in the bond market?
- What has been the impact of the currency on the margins in the quarter?
- What is the outlook on Greenwich

360 degree view – What about other companies?

Capital markets issuers declined by 21% during the quarter, while systemic credit growth remains subdued. However, despite the weak environment, CRISIL Ratings strengthened its leading position in the corporate bond market, while the same is not anticipated for CARE.

Quick Take:

INR mn	Q3CY20	Q3CY19	YoY (%)	Q2CY20	QoQ (%)	Q3CY20E	Deviation
Net Sales	4,850	4,359	11.3	4,718	2.8	5,057	-4.1
EBITDA	1,134	1,133	0.0	1,162	-2.5	1,264	-10.3
PAT	902	1,051	-14.2	663	36.0	849	6.3

Explore:

Financial model
Podcast
Corporate access
Video

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