CRISIL

Well Rated

CRISIL is the largest credit rating agency with a market share of around 65% and is one of the biggest research houses in India. With the recent acquisition of Pipal Research Corp. (Pipal), robust credit demand and strong infrastructure-spend, we expect strong growth across all the segments of the company. The company has also recently finished a buyback of 1.3lakh shares worth ₹80cr at an average price of ₹6,200. **We Initiate Coverage on the stock with a Buy rating.**

Acquisition of Pipal to boost research revenue: Pipal is a strong player providing offshore research services to the corporate sector, while CRISIL's Irevna is a leading offshore research provider to the financial sector. The synergy between the two firms will help CRISIL to service its clients better and further expand its client base, resulting in strong growth going ahead. Post the acquisition with the combined strength of the two firms we expect a 22% CAGR in the research segment's revenue over CY2010–12.

Robust growth in credit ratings to continue on strong credit demand: We believe credit demand will continue to grow at a faster rate than India's nominal GDP as financial depth continues to increase. The need for large capital formation of 30–35% of GDP for sustaining 8%+ GDP growth in India is well acknowledged; hence, we expect credit demand to witness 20% CAGR over CY2010–14, considering the actual and latent credit demand in India. CRISIL has been growing at ~2x India's credit growth since CY2005. Further, the company will continue to benefit from Basel-II norms, as a large number of entities are still to be rated. CRISIL, being the market leader with 65% market share in credit rating and 50% share in bank loan rating (BLR), will continue to benefit greatly from India's strong credit growth. We conservatively expect the segment to register 21% revenue CAGR over CY2010–12.

Outlook and valuation: We expect CRISIL to post 21.5% CAGR in revenues over CY2010–12 and continue to maintain its leadership position. CRISIL benefits from its asset-light business model, which is high on intellectual assets (employee cost-to-sales is around 40%). Further, the company is debt free and has 40% plus RoE. Additionally, CRISIL enjoys strong parentage (Standard and Poor's). Currently, the stock is available at 17.3x CY2012E earnings, which is at the lower end of its historical range of 16.4–29.9x one-year forward EPS. **We Initiate Coverage on the stock with a Buy rating and a Target Price of ₹7,584, valuing it at its five-year median of 22x CY2012E earnings and implying an upside of 27%.**

Key financials (Consolidated)

Y/E Dec. (₹ cr)	CY2009	CY2010E	CY2011E	CY2012E
Net sales	**537**	**629**	**767**	**927**
% chg	*4.4*	*17.0*	*22.0*	*20.0*
Adj. Net profit	**161**	**157**	**200**	**245**
% chg	*14.4*	*(2.5)*	*27.7*	*22.3*
FDEPS (₹)	**223**	**284**	**282**	**345**
EBITDA margin (%)	37.1	33.3	34.3	34.8
P/E (x)	26.9	21.0	21.2	17.3
RoE (%)	40.6	37.2	44.9	46.8
RoCE (%)	46.6	44.6	53.6	56.8
P/BV (x)	10.0	10.4	8.8	7.6
EV/Sales (x)	7.6	6.6	5.3	4.3
EV/EBITDA (x)	20.5	20.0	15.6	12.4

Source: Company, Angel Research

BUY

CMP	₹5,979
Target Price	₹7,584
Investment Period	12 Months

Sector	Credit Rating
Market Cap (₹ cr)	4,245
Beta	0.3
52 Week High / Low	6350/4290
Avg. Daily Volume	1,198
Face Value (₹)	10
BSE Sensex	19,224
Nifty	5,763
Reuters Code	CRSL.BO
Bloomberg Code	CRISIL@IN

Shareholding Pattern (%)	
Promoters	52.4
MF / Banks / Indian FIs	19.4
FII / NRIs / OCBs	10.4
Indian Public / Others	17.8

Abs. (%)	3m	1yr	3yr
Sensex	(5.1)	9.6	(6.6)
CRISIL	0.8	24.3	70.8

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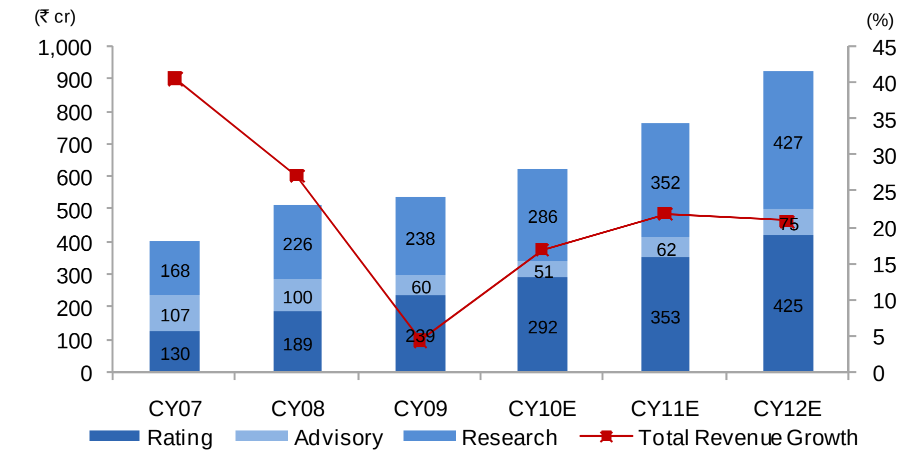
Investment arguments

CRISIL witnessed robust growth in the first three quarters of CY2010 on the back of strong credit growth and global economic recovery, which going ahead is expected to further improve. The company recently acquired Pipal Research, which will lend to a boost to their research portfolio and result in robust growth in the ensuing years. The advisory segment is expected to revert to high growth tracjectory on the back of the strong infra spends. Overall, we expect all the segments of the company to register high growth and conservatively expect total revenues to register 21.5% CAGR over CY2010-12.

Exhibit 1: Segmental revenue breakup



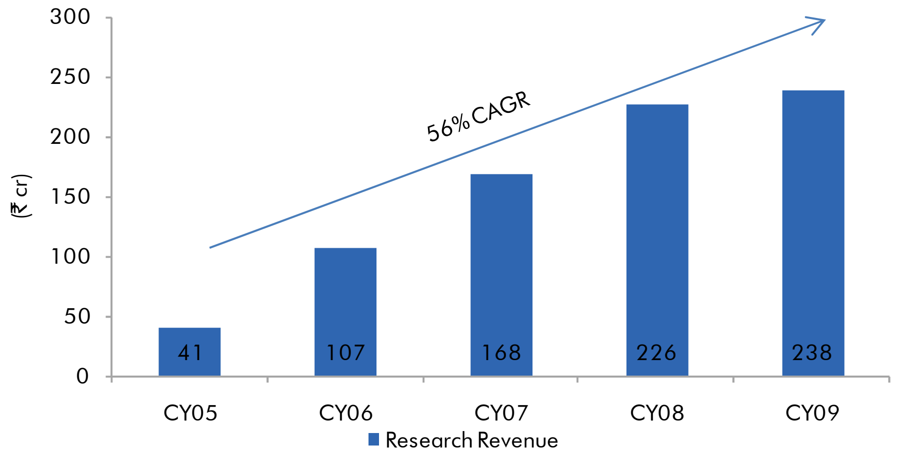
Source: Company, Angel Research

Strong growth to continue on the back of acquisition Pipal

CRISIL has a history of acquiring small companies and scaling their operations by leveraging their strong clientele, skills and processes. CRISIL acquired Irevna in CY2005 for ₹73.1cr, which was valued at ~2.2x EV/Sales (₹33.1cr sales). Post the acquisition, CRISIL's research segment's revenue increased from ₹41cr in CY2005 to ₹238cr in CY2009, witnessing a 55.7% CAGR in revenue over CY2005–09, contributing nearly 45% to the total revenue in CY2009 from 29% in CY2005.

In CY2009, Datamonitor's The Black Book of Outsourcing for Financial Research ranked Irevna as the number one research house in the country.

Exhibit 2: Strong revenue growth post Irevna's acquisition



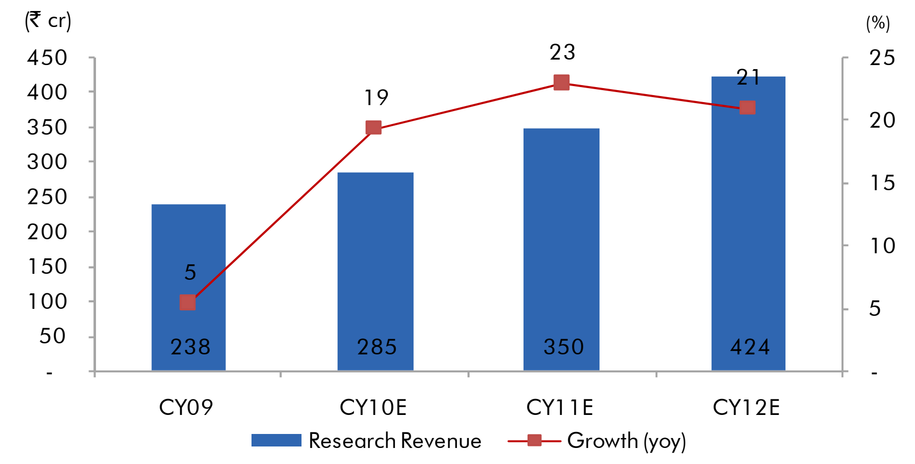
Source: Company, Angel Research

CRISIL recently acquired Chicago-based Pipal Research Corp., one of the leading players in the knowledge process outsourcing (KPO) industry, from First Source Solution for US $12.75mn (around ₹58cr), at 1.6x EV/Sales . Pipal has a strong presence in the corporate sector mainly in North America and Europe and reported revenue of US $8.1mn (around ₹37cr) in FY2010. Pipal's client base includes leading telecommunications, technology, consumer packaged goods and industrial companies.

Currently, CRISIL is a leader in the high-end KPO space. With this acquisition, CRISIL, which provides services from Chennai, Mumbai, Buenos Aires and Wroclaw (Poland), will now have presence in Gurgaon, Noida, Bangalore and Chicago. The acquisition will also strengthen its position in the market. Pipal has strong presence in the corporate sector, while Irevna's strong presence lies in the financial sector. The synergy between the two firms will help the company to service clients better and expand its client base, which will result in a strong platform for growth in the coming years.

Going ahead, we expect CRISIL's research segment to grow further, as it did post the acquisition of Irevna, registering a 22% CAGR over CY2010–12E.

Exhibit 3: Robust growth to continue post Pipal's acquisition



Source: Company, Angel Research

Robust growth in credit ratings to continue on strong credit demand

The Indian economy is on the cusp of an upturn in its capex cycle, and early signs of a pronounced capex upswing are already emerging. GDP growth has averaged at about 8% over the last five years and is expected to grow at 8–9% over the next few years.

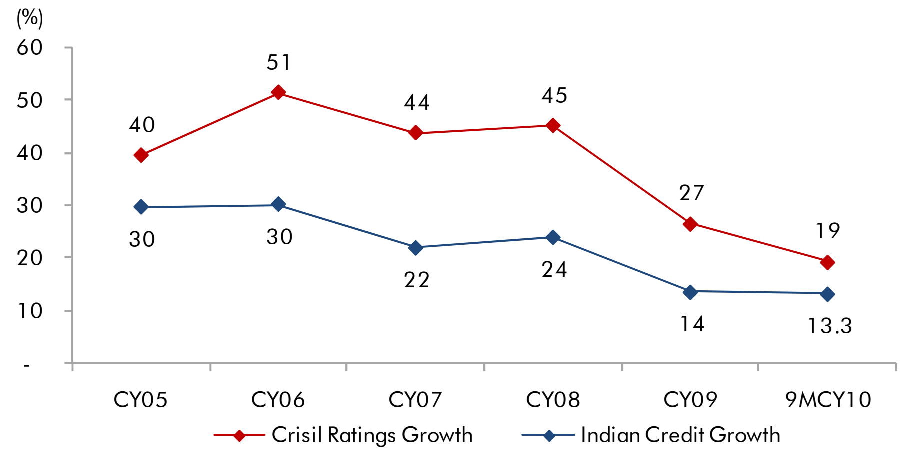
We believe macro indicators such as huge project announcements, improving utilisation levels, improved business confidence, increasing end-product prices and expectation of significant demand improvement will lead to growth in the capex cycle. Funds raised by companies grew by 20.5% in FY2010 compared to 18% in FY2009. The capex cycle, which started in 2004, took a breather between 2008 and 2009 as the world faced liquidity constraints.

After the interruption seen over the last two years, the capex cycle has resumed and is expected to further improve going ahead. Rising economic growth momentum, improving domestic demand prospects and growing capacity utilisation since FY2009 have translated into recent growth in capacity expansion plans as well as in actual project implementation. Moreover, the continuous flow of investment announcements reflects the confidence of industries in sustaining the current upsurge in demand. More importantly, the current investment boom is not triggered by the government but by companies that are optimistic about the economy's growth potential and are investing willingly. This is evident from the fact that the share of private sector in outstanding investment has been rising steadily from 39% in 2004 to 58% in 2010.

We believe credit demand will continue to grow at a faster rate than India's nominal GDP as financial depth continues to increase. The need for large capital formation of 30–35% of GDP for sustaining 8%+ GDP growth in India is well acknowledged; hence, we expect credit demand to witness a 20% CAGR over CY2010–14, considering the actual and latent credit demand in India.

CRISIL has been growing at ~2x India's credit growth since CY2005. Further, the company will continue to benefit from Basel II norms, as the number of entities to be rated will increase further. CRISIL, being the market leader with 65% market share in credit rating, will continue to benefit greatly from India's strong credit growth. As of September 30, 2010, CRISIL had more than 10,941 ratings (including 6030 SMEs) outstanding. We conservatively expect the rating business to register 21% revenue CAGR over CY2010–12.

Exhibit 4: Credit rating business growing on the back of credit growth



Source: Company, Angel Research

Robust growth in BLR to continue post Basel II

Post Basel II, CRISIL has seen strong growth in its credit rating segment due to a boost in bank loan rating (BLR). The company's credit rating segment witnessed a 38.2% CAGR in revenue over CY2006–09. Till 3QCY2010, CRISIL had 5,017 BLRs, making it the market leader with a market share of 50%.

The BLR market is a much larger market compared to the bond market given the wide reach of banks and large funds at their disposal vis-à-vis the capital market participants. There are several incentives for entities to get rated, as they can avail loans at cheaper rates based on their ratings. On the other hand, banks also stand to benefit, as they now only need to hold capital reserves to the extent of the risks they are exposed to, in turn freeing vital capital and reducing costs. Thus, given the large size of the SME sector and high number of unrated entities under Base II norms, we believe that the BLR market presents a strong growth opportunity.

Exhibit 5: Potential savings in interest rates on getting rated

Rating	Basel I		Basel II				
	Risk weight (%)	Capital required (₹ cr)	Risk weight (%)	Capital required (₹ cr)	PBT required by bank	PBT required by bank due to lower risk weight (% to assets)	Potential reduction in interest rates
AAA	100	9	20	1.8	1.4	0.3	1.1
AA	100	9	30	2.7	1.4	0.4	1.0
A	100	9	50	4.5	1.4	0.7	0.7
BBB	100	9	100	9.0	1.4	1.4	-
BB and below/ or unrated exposure	100	9	150	13.5	1.4	2.1	(0.7)

Source: RBI, Note1: Calculations made assuming a bank would like to make a profit of ₹1cr on a ₹100cr loan i.e. 1% RoA. Note 2: Unrated exposure above ₹10cr will attract 150% risk weight on full transition to Basel II, irrespective of an entity's actual creditworthiness.

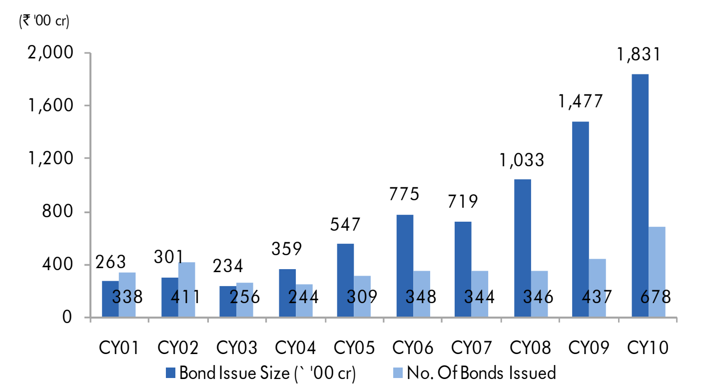
Post 2014, the RBI may shift to the advanced internal ratings methodology under Basel II norms, where banks can themselves rate entities. However, it is better for an entity to get rated from a single, well-accepted external agency than getting rated by multiple banks and increase its cost of rating. Hence, CRISIL being the market leader will benefit the most from the growing BLR market.

India's bond issuance growth to fuel further growth in ratings

Bond rating is one of the major contributors to the company's ratings segment. India's corporate bond market is relatively underpenetrated compared to major developed countries and emerging markets, as corporates in India prefer bank credit over bonds. However, with the growing capex cycle and infra spends in the recent years, corporate bond issuance has increased, as it is a cheaper way to raise money compared to bank loans or equity dilution.

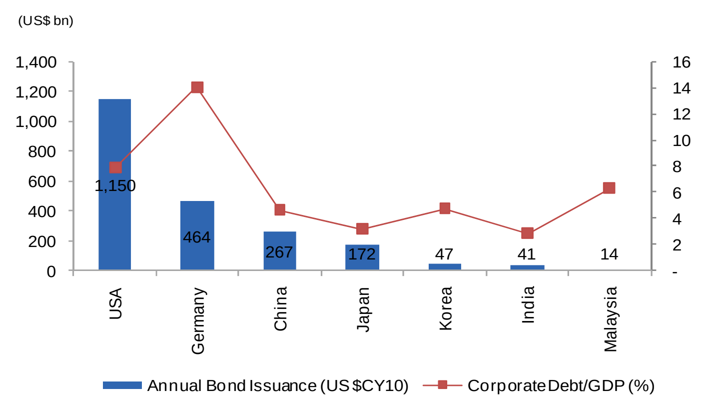
For India to expand at 8–9% in the coming decade, huge capex and infra spends are required. As per the XII[th] Five-Year Plan, the government has announced US $1tn infrastructure spending. Accordingly, we expect bonds to become a major source for corporates to raise money to fuel such a huge amount of spending.

Exhibit 6: Indian corporate bond market showing robust growth



Source: Bloomberg, Angel Research

Exhibit 7: Largely underpenetrated corporate bond market



Source: IMF, Bloomberg, Angel Research

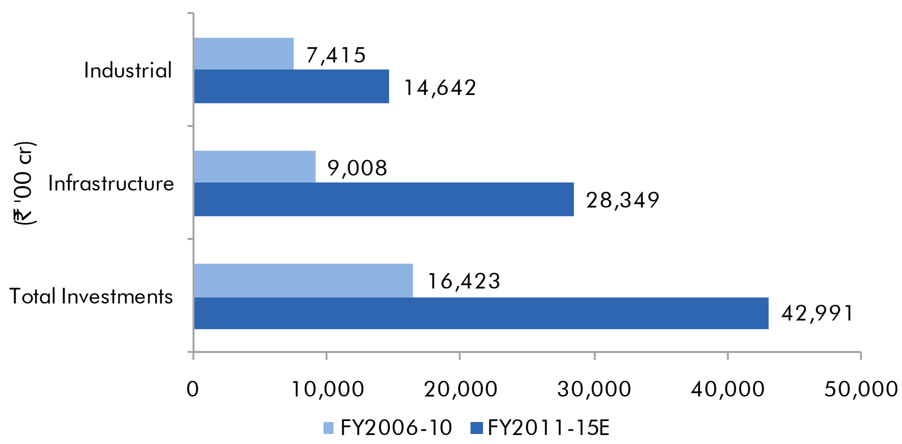
Infra & advisory services to benefit from huge infra spend

CRISIL's infrastructure advisory segment provides practical and innovative solutions to governments, donor-funded agencies and leading organisations, where the company helps to improve infrastructure service delivery, transform performance of public institutions and design and strengthen reform programs to catalyse private sector participation.

Over CY2007–09, CRISIL's infra and risk advisory segment took a hit due to the ongoing liquidity crisis. Consequently, the segment's revenue declined from ₹107cr in CY2007 to ₹60cr in CY2009. However, post the crisis, we expect the segment to recover at a fast pace and register revenue close to its CY2007 revenue.

CRISIL is set to benefit from the estimated US $800bn spend on infrastructure from FY2010–14E (US $1tn in the XIIth Five-Year Plan), as it will provide a huge opportunity to the company to expand its infra and risk advisory services segment. Accordingly, CRISIL has undertaken aggressive hiring across hierarchy and will expand its customer base going ahead.

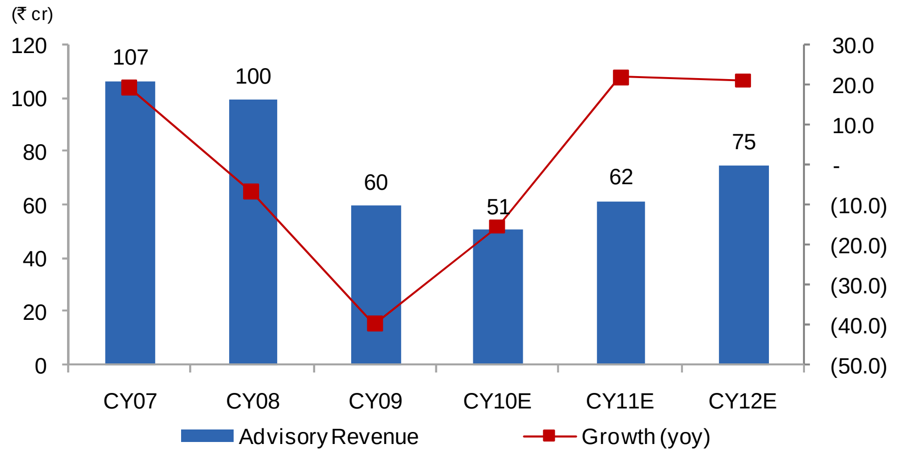
Exhibit 8: Estimated infra and industrial spending



Source: CRISIL Research, Angel Research

Hence, we expect CRISIL's infra and risk advisory services segment to conservatively report a 21.7% CAGR over CY2010–12E on account of low revenue base. Despite such strong growth, the advisory segment is expected to report revenue of ₹75cr in CY2012, which will be less than its CY2007 revenue of ₹107cr. Thus, there could be significant upside to our estimates.

Exhibit 9: Advisory division to recover due to strong infra spends



Source: Company, Angel Research

Strong cash reserves to result in buyback, acquisitions and higher dividends

CRISIL, with its strong cash reserves of ₹158cr, initiated a buyback of ~1.3lakh shares worth ₹80cr for an average price of ₹6,200/share in CY2010. The company also purchased Pipal for ₹58cr. In CY2010, apart from the ₹75/share dividend, CRISIL gave a special dividend of ₹100/share.

Going ahead, we expect this trend to continue with the company paying higher dividend with payout ratio above 50% in CY2011–12. Also, the company can initiate another round of buyback in CY2011, as it will have ₹142cr of cash reserve post an estimated dividend payout of ₹150/share in CY2011. CRISIL has historically taken up many inorganic growth opportunities to fuel its growth and can easily accept another inorganic growth prospect, given its strong cash reserve of ₹242cr by CY2012E.

Outlook and valuation

We expect CRISIL to register a 21.5% CAGR in revenue over CY2010–12E and continue to maintain its leadership position, with robust growth across all its segments. The company benefits from its asset-light business model, which is high on intellectual assets (employee cost-to-sales is around 40%). Further, the company is debt free and has 40% plus RoE. Additionally, the company enjoys strong parentage (Standard and Poor's).

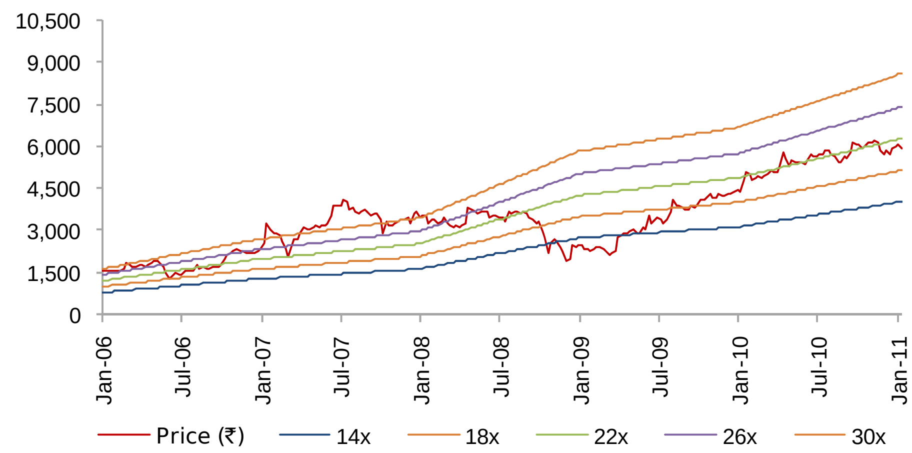
Currently, the stock is available 17.3x CY2012E earnings, which is at the lower end of its historical range of 16.4–29.9x one-year forward EPS, which makes it attractive. **We Initiate Coverage on the stock with a Buy rating and a Target Price of ₹7,584, valuing it at its five-year median of 22x CY2012E earnings and implying an upside of 27%.**

Exhibit 10: Peer comparison

	Target Price	Mkt. Cap.	Sales		Sales Growth (%)	OPM (%)		EPS (₹)		EPS Growth (%)	PER (x)		RoE (%)	
(₹ cr)	(₹)		CY11E	CY12E	CY12E (yoy)	CY11E	CY12E	CY11E	CY12E	CY12E (yoy)	CY11E	CY12E	CY11E	CY12E
CRISIL Angel	7,584	4,245	767	927	20.0	34.3	34.8	282.0	344.7	22.3	21.2	17.3	44.9	46.8
CRISIL Blmberg	N/A	4,245	785	958	22.0	36.5	37.7	282.8	372.9	31.9	21.1	16.0	50.5	53.9
ICRA* Blmberg	N/A	1,165	247	295	19.4	39.0	39.0	72.7	89.2	22.7	16.0	13.1	26.2	26.3

*Source: Company, Angel Research, Bloomberg, *FY2012-13E*

Exhibit 11: One-year forward P/E band



Source: Company, Angel Research

Concerns

Slowdown in economic growth

CRISIL's rating business depends on growth in credit demand, which is closely linked to the economy's growth. A major part of research revenue is generated through outsourcing research services to foreign corporate and institution, which may be affected if economic crisis continues in the near future.

Competition from other players

CRISIL enjoys the highest market share in industry. However, growing competition from players such as ICRA, CARE, Fitch Rating and Brickwork has seen erosion in its market share as seen in the case of BLR where CRISIL's market share has dipped to 50% in 3QCY2010 from 55% in CY2009. Going forward, this could result in declining growth and have negative impact on the company's profitability. Nonetheless, CRISIL being the market leader since inception is well-placed to fend off such competition, which we believe is there to stay.

Exhibit 12: Market share still highest amidst intensifying competition

Quarter	Ratings Announced	Market Share (%)
CY2007	15	42
CY2008	842	46
CY2009	2,268	55
3QCY2010	5,017	50

Source: Company, Angel Research

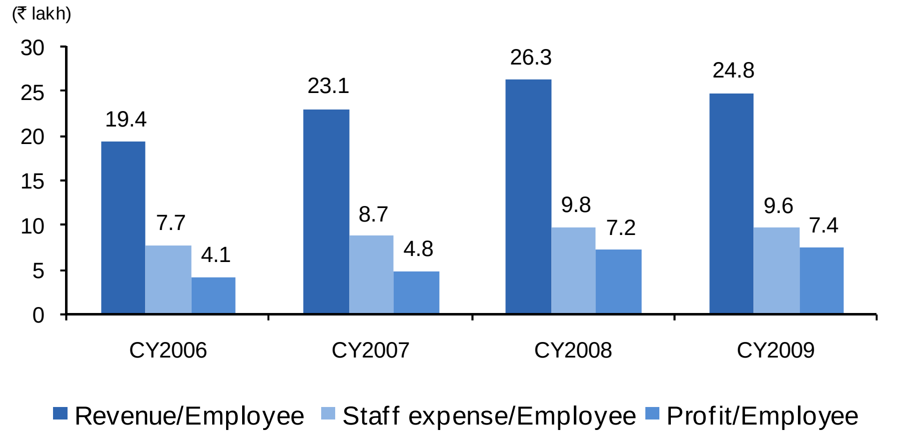
Margins at risk due to fluctuations in forex

CRISIL derives ~53% of its revenue from foreign clients. Thus, the company has a large exposure to foreign currency and any major fluctuation in forex can lead to losses, thus affecting margins and profitability.

Wage inflation and attrition rate cause of concern

CRISIL has been facing attrition in excess of 15% over the years. In the face of it, the company has been incurring significant costs towards acquiring and training qualified manpower. Also, in its efforts to retain talent, CRISIL has seen an increase in cost per employee due to inflationary effects. However, it may be noted that it has been able to increase its profit and revenue per employee over the years exhibiting strong capability to pass on additional expenses. Overall, we believe that being a market leader with a strong brand, the company will be able to manage such pressures and sustain its margins going ahead.

Exhibit 13: Revenue per employee rising despite wage inflation



Source: Company, Angel Research

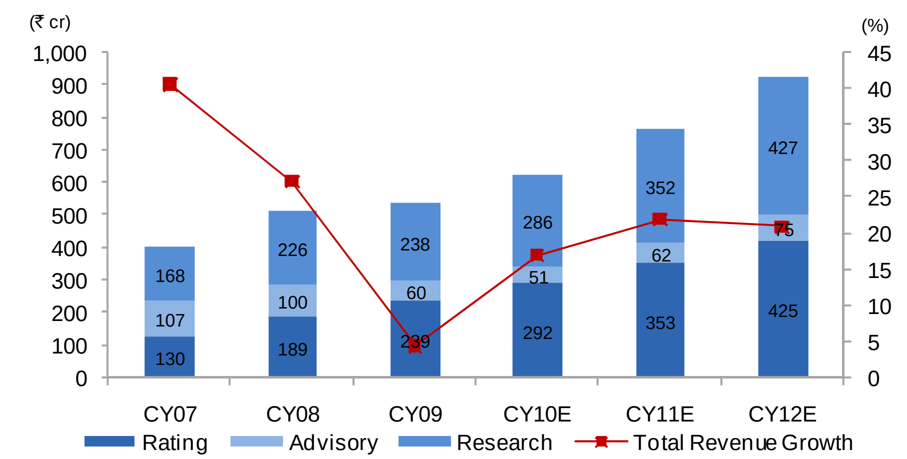
Financial overview

In CY2009, CRISIL registered mediocre growth of 4.4% yoy in revenue, largely due to the slowdown in capital expenditure during the economic downturn. However, on the back of a revival in the economy, the company registered robust 16% yoy growth in revenue for 9MCY2009 to ₹453.7cr from ₹391.7cr, aided by strong growth in the credit rating and research segments.

For 4QCY2010E, we expect strong growth across all segments as the economy is back on track, with an estimated GDP growth of around 8.5%. For CY2010, we expect strong top-line growth of ₹91cr (17%) yoy to ₹629cr compared to ₹537cr in CY2009, largely due to strong growth in the credit rating and research segments, which are expected to post 22% and 20% yoy growth, respectively. Further, we expect all segments to register strong growth on the back of robust credit demand, acquisition of Pipal and strong infrastructure spend in the coming years.

Going ahead, we expect the company's top line to register a 21.5% CAGR over CY2010–12E, increasing to ₹767cr in CY2011 and ₹927cr in CY2012.

Exhibit 14: Strong turnaround in growth due to economic recovery



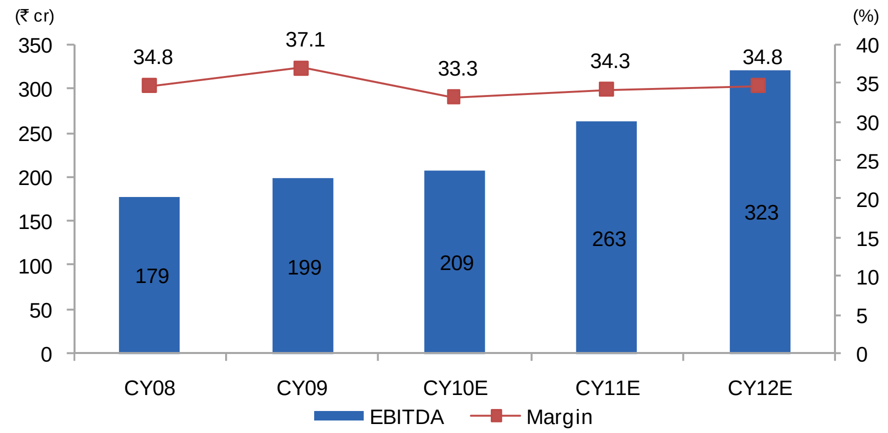
Source: Company, Angel Research

EBITDA margins to remain in line

During CY2009, CRISIL's operating margin improved to 37.1% (34.8%), largely on the back of cost cutting, which resulted in other expenses coming down to 14% of revenue in CY2009 versus 18% in CY2008. However, for 9MCY2010, the operating margin reduced marginally by 4.3% to 32.8% yoy due to higher employee cost and other expenses, which included forex losses of ₹7.3cr for 9MCY2010.

CRISIL's margins, which took a hit in the first two quarters of CY2010, improved to 35.3% in 3QCY2010 due to lower other expenses. For 4QCY2010E, we believe the company's EBITDA margin will be at around 34.4%. For CY2010E, we estimate EBITDA margin of 33.3%, which is expected to come back to its CY2008 levels going ahead and gradually increase to 34.3% and 34.8% in CY2011E and CY2012E, respectively. EBITDA is estimated to increase from ₹199cr in CY2009 to ₹323cr in FY2012E on the back of strong revenue growth.

Exhibit 15: EBITDA margins expected to remain stable



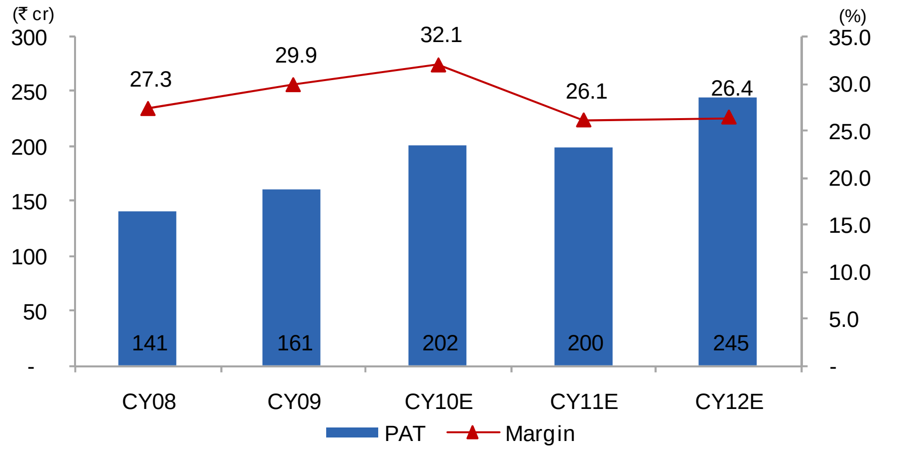
Source: Company, Angel Research

Net profit to register 15% CAGR over CY2009–12E

In CY2009 CRISIL's net profit margin increased by 261bp to 29.9% (27.3%), primarily because of higher operating margins. For CY2010, we estimate net profit margin to increase substantially to 32.1% (29.9%) on the back of higher other income arising from sale of property and investments. For 9MCY2010, net profit surged 32.6% yoy to ₹155cr from ₹117cr due to the 306% yoy spike in other income. Thus, in CY2010 net profit is expected to increase to ₹202cr from ₹161cr in CY2009.

CRISIL derives a major part of its revenue from exports, which is tax-exempted till FY2011 under the Software Technology Parks of India's (STPI) regulations. Going ahead, this exemption will seize and, thus, the company has started taking necessary steps such as transferring business to its existing SEZ units, where the company can continue to avail tax exemption. Management has guided that tax exemption may be extended till FY2012 under the STPI. If tax exemptions under the STPI are not extended till FY2012, we expect the company's tax rate to increase by ~2% in CY2012. For CY2011 and CY2012, we estimate net profit margin to decline to 26.1% and 26.4% to ₹200cr and ₹245cr, respectively, due to lower other income in CY2011 and CY2012 and higher tax rate in CY2012.

Exhibit 16: PAT margins to come back to historical levels



Source: Company, Angel Research

Company background

CRISIL was incorporated in 1987 as India's first credit rating agency. Over the years, the company has evolved to become the industry leader with a market share of around 65% and has diversified into research and infrastructure risk and policy advisory services. The company is currently one of the largest research houses in the country, providing research to over 65 industries and 150 corporates in India. The company also provides high-end offshore research and analytical services mainly to top financial institutions (including six of the world's top 10 investment banks), insurance companies and asset management firms.

Credit rating segment

CRISIL is the largest credit rating agency in India. CRISIL pioneered ratings in India more than 20 years ago and is today the undisputed business leader, with the largest number of rated entities and products. Over the years, CRISIL has also developed several structured ratings for multinational entities based on guarantees from the parent as well as standby letter of credit arrangements from bankers. The rating agency has also developed a methodology for credit enhancement of corporate borrowing programmes through the use of partial guarantees. CRISIL is uniquely placed in its experience in understanding the extent of credit enhancement arising out of such structures. CRISIL's comprehensive offerings include ratings for long-term instruments such as debentures/bonds and preference shares, structured obligations (including asset-backed securities) and fixed deposits. The company also rates short-term instruments such as commercial paper programmes and short-term deposits.

Bank Loan Ratings (Basel II)

CRISIL commenced rating bank loans post the RBI's guidelines on capital adequacy for banks in 2007. Basel II guidelines, as they are called, require banks to provide capital on credit exposure as per credit ratings assigned by approved external credit assessment institutions (ECAIs), such as CRISIL. Basel II is a recommendatory framework for banking supervision issued by the Basel Committee on Banking Supervision in June 2004. The objective of Basel II is to bring about international convergence of capital measurement and standards in the banking system. The revised framework for capital adequacy has been effective from March 31, 2008, for all Indian banks with an operational presence outside India (12 public sector banks and five private sector banks) and for all foreign banks operating in India. It has been applicable to all other commercial banks (except local area banks and regional rural banks) from March 31, 2009.

CRISIL rates the maximum number of companies for their bank loans in India. As of September 30, 2010, CRISIL had rated 5,017 entities, representing over 50% of all the companies, which have their bank loans rated in India; CRISIL has rated bank facilities of all types: term loans, project loans, corporate loans, general purpose loans, working capital demand loans, cash credit facilities and non-fund-based facilities, such as letters of credit and bank guarantees.

Exhibit 17: Distribution of Bank Loan Ratings by loan size

Loan Size (₹ cr)	No. of ratings upto 1QCY2009	% of total 2008	No. of ratings upto 1QCY2010	% of total 2009
<10	70	5	503	13
10-25	270	19	1,232	32
25-50	234	17	764	20
50-250	553	40	977	26
250-500	112	8	161	4
>500	161	12	188	5
Total	1,400	100	3,825	100

Source: Company, Angel Research, Data available only till 1QCY2010, 5017 entities rated till 3QCY2010.

SME Ratings

CRISIL pioneered the concept of ratings for the SME sector in India and, presently, within a span of just five years, has the largest number of ratings on the SME sector in the world. As of September 30, 2010, CRISIL had assigned ratings to over 14,500 SMEs. CRISIL's SME ratings are affordable and tailor-made services designed for SMEs.

Real Estate Ratings

Housing and real estate form the backbone of the country's infrastructure and are critical drivers of economic development. With government policies emphasising faster economic growth, the real estate sector is attracting large investments from both domestic and foreign investors. Investors and customers, however, need to exercise caution in their exposure, as the sector is largely unorganised.

Given the risk factors and volatility inherent in the real estate business, it is critical to judge the performance ability of developers to deliver good quality projects. Towards this end, CRISIL provides third-party opinion through two specialised products: National Developer Ratings and Real Estate Star Ratings.

Research

CRISIL Research: CRISIL's research segment is India's leading independent, integrated research house. Through constant innovation and comprehensive research offerings covering the economy, industry and companies, CRISIL Research meets the requirements of more than 750 Indian and global clients. Apart from off-the-shelf research reports, CRISIL provides incisive, customised research. Through its IPO grading initiative, CRISIL Research has also established a presence in the equity research domain and is poised to significantly expand its presence in this area.

Outsourcing (Irevna and Pipal): CRISIL's outsourcing department consists of Irevna and the recently acquired Pipal. Irevna was one of the pioneers of offshore investment research for some of the world's leading investment banks and financial institutions. It is one of the most experienced and diversified provider of analytical services to the financial services industry, supporting equity research, equity strategy, credit research, securitisation research, and derivatives IT and structuring. Irevna has offices across the world in the US, the UK, Poland, Argentina and Hong Kong and its Indian offices are at Mumbai and Chennai.

Pipal is a leading custom research firm, delivering financial and business research and quantitative analytics to organisations worldwide. Founded in 2001 by a team of management professionals, Pipal created a name for itself as a knowledge vendor of choice.

Advisory

CRISIL Infrastructure Advisory: CRISIL's infrastructure advisory segment provides practical and innovative solutions to governments, donor-funded agencies and leading organisations in over 20 emerging economies across the world. It has widely acknowledged policy advisory expertise and specialises in commercial and contractual issues in the areas of energy, urban infrastructure and public-private partnerships. CRISIL Infrastructure Advisory has built a unique position for itself in these domains and is the preferred consultant to governments, multilateral lending agencies and private sector clients.

CRISIL Risk: This segment provides risk solutions for banks, financial institutions, mutual funds and corporates. It also provides risk management services, consulting and software products in the areas of credit, market and operational risk. It partners closely with leading public and private sector banks and entities in the financial services and insurance sectors, implementing enterprise-wide risk management solutions.

Profit & Loss Statement (Consolidated)

Y/E Dec.	CY2008	CY2009	CY2010E	CY2011E	CY2012E
Net Sales	515	537	629	767	927
% chg	*27.3*	*4.4*	*17.0*	*22.0*	*20.0*
Total Expenditure	335	338	419	504	605
Establishment Expenses	52	55	64	78	92
Other Expenses	93	75	94	115	138
Personnel	191	208	261	311	375
EBITDA	179	199	209	263	323
% chg	*52.8*	*11.3*	*5.0*	*25.7*	*22.7*
(% of Net Sales)	*34.8*	*37.1*	*33.3*	*34.3*	*34.8*
Depreciation& Amortisation	14	15	21	24	26
EBIT	165	184	188	239	297
% chg	*63.0*	*11.5*	*1.9*	*27.0*	*24.4*
(% of Net Sales)	*32.1*	*34.3*	*29.9*	*31.1*	*32.0*
Interest & other Charges	-	-	-	-	-
Other Income	22	23	72	20	27
(% of PBT)	*11.6*	*11.1*	*27.8*	*7.6*	*8.3*
Recurring PBT	187	207	260	258	324
% chg	*69.1*	*10.9*	*25.4*	*(0.8)*	*25.5*
PBT (reported)	187	207	260	258	324
Tax	46	47	59	58	79
(% of PBT)	*24.8*	*22.5*	*22.5*	*22.5*	*24.5*
PAT (reported)	141	161	202	200	245
% chg	*68.0*	*14.4*	*25.4*	*(0.8)*	*22.3*
Prior period items	-	-	-	-	-
PAT after MI (reported)	141	161	202	200	245
Extraordinary Income (post tax)	-	-	45	-	-
ADJ. PAT	141	161	157	200	245
% chg	*68.0*	*14.4*	*(2.5)*	*27.7*	*22.3*
(% of Net Sales)	*27.3*	*29.9*	*24.9*	*26.1*	*26.4*
Basic EPS (Rs)	194.6	222.5	284.2	282.0	344.7
Fully Diluted EPS (Rs)	194.6	222.5	284.2	282.0	344.7
% chg	*68.0*	*14.4*	*27.7*	*(0.8)*	*22.3*

Balance Sheet (Consolidated)

Y/E Dec.	CY2008	CY2009	CY2010E	CY2011E	CY2012E
SOURCES OF FUNDS					
Equity Share Capital	7.2	7.2	7.1	7.1	7.1
Reserves& Surplus	350	427	401	476	555
Shareholders Funds	**358**	**434**	**408**	**483**	**562**
Total Loans	-	-	-	-	-
Deferred Tax Liability	-	-	-	-	-
Total Liabilities	**358**	**434**	**408**	**483**	**562**
APPLICATION OF FUNDS					
Gross Block	190	192	300	324	330
Less: Acc. Depreciation	64	72	93	118	143
Net Block	**126**	**120**	**207**	**206**	**187**
Capital Work-in-Progress	4	64	14	-	-
Investments	**118**	**118**	**118**	**118**	**118**
Current Assets	261	323	255	370	507
Cash	129	158	64	142	242
Loans & Advances	53	62	68	75	82
Other Current Assets	2	11	12	12	13
Debtors	77	92	112	141	170
Other	-	-	-	-	-
Current liabilities	160	200	195	221	260
Net Current Assets	**101**	**122**	**60**	**150**	**247**
DEFERRED TAX ASSETS (Net)	8	10	10	10	10
Total Assets	**358**	**434**	**408**	**483**	**562**

Cash Flow (Consolidated)

Y/E Dec.	CY2008	CY2009	CY2010E	CY2011E	CY2012E
Profit before tax	187	207	260	258	324
Depreciation	14	15	21	24	26
Change in Working Capital	36	16	(25)	(4)	9
Less: Other income	22	23	72	20	27
Direct taxes paid	46	47	59	58	79
Cash Flow from Operations	**169**	**169**	**126**	**201**	**253**
Inc./ (Dec.) in Fixed Assets	0	(62)	(58)	(10)	(6)
Inc./ (Dec.) in Investments	(21)	1	-	-	-
Inc./ (Dec.) in loans and advances	(12)	(9)	(6)	(7)	(7)
Other income	22	23	72	20	27
Cash Flow from Investing	**(11)**	**(47)**	**8**	**3**	**13**
Issue/(Buy Back) of Equity	-	-	(79)	-	-
Inc./(Dec.) in loans	-	-	-	-	-
Dividend Paid (Incl. Tax)	(59)	(85)	(148)	(125)	(166)
Others	(12)	(9)	-	-	-
Cash Flow from Financing	**(71)**	**(93)**	**(227)**	**(125)**	**(166)**
Inc./(Dec.) in Cash	87	28	(94)	79	100
Opening Cash balances	**42**	**129**	**158**	**64**	**142**
Closing Cash balances	**129**	**158**	**64**	**142**	**242**

Key Ratios

Y/E Dec.	CY2008	CY2009	CY2010E	CY2011E	CY2012E
Valuation Ratio (x)					
P/E (on FDEPS)	30.7	26.9	21.0	21.2	17.3
P/BV	12.1	10.0	10.4	8.8	7.6
Dividend yield (%)	1.2	1.7	2.9	2.5	3.3
Market cap. / Sales	8.2	7.9	6.7	5.5	4.6
EV/Sales	8.0	7.6	6.6	5.3	4.3
EV/EBITDA	23.0	20.5	20.0	15.6	12.4
EV / Total Assets	11.5	9.4	10.2	8.5	7.1
Per Share Data (Rs)					
EPS (Basic)	194.6	222.5	284.2	282.0	344.7
EPS (fully diluted)	194.6	222.5	284.2	282.0	344.7
Cash EPS	213.4	243.1	314.3	316.3	380.9
DPS	70.0	100.0	175.0	150.0	200.0
Book Value	494.8	600.4	574.9	681.3	791.8
Dupont Analysis (%)					
EBIT margin	32.1	34.3	29.9	31.1	32.0
Tax retention ratio	75.2	77.5	77.5	77.5	75.5
Asset turnover (x)	4.2	4.0	3.3	3.4	4.4
ROIC (Post-tax)	100.9	106.4	75.5	82.1	105.2
Operating ROE	100.9	106.4	75.5	82.1	105.2
Returns (%)					
ROCE (Pre-tax)	52.2	46.6	44.6	53.6	56.8
Angel ROIC (Pre-tax)	141.2	183.6	122.0	109.4	139.4
ROE	44.3	40.6	47.9	44.9	46.8
Turnover ratios (x)					
Asset Turnover (Gross Block)	2.7	2.8	2.6	2.5	2.8
Asset Turnover (Net Block)	4.0	4.4	3.8	3.7	4.7
Asset Turnover (Total Assets)	1.6	1.4	1.5	1.7	1.8
Operating Income / Invested Capital	4.2	4.0	3.3	3.4	4.4
Receivables (days)	59	58	59	60	61
Payables (days)	104	122	115	99	95
Working capital cycle (ex-cash) (days)	(11)	(21)	(11)	1	2

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1. Analyst ownership of the stock	No
2. Angel and its Group companies ownership of the stock	No
3. Angel and its Group companies' Directors ownership of the stock	No
4. Broking relationship with company covered	No

Note: We have not considered any Exposure below ₹1 lakh for Angel, its Group companies and Directors.

Ratings (Returns) :	*Buy (> 15%)*	*Accumulate (5% to 15%)*	*Neutral (-5 to 5%)*
	Reduce (-5% to 15%)	Sell (< -15%)	

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