

CRISIL Analyst Presentation

July 2024



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Agenda



1. CRISIL overview



2. Business environment



3. Performance update



4. Financials



5. Segment performance



6. Thought leadership



7. Corporate social responsibility



CRISIL overview

We provide **intelligence, benchmarks, analytics and transformative solutions** to organizations, **accelerating their progress and catalysing economic growth**. Our solutions enable organizations **to decide with conviction**

Ratings Services

Ratings

Active ratings outstanding for ~7,000 large and mid-scale corporates and financials institutions

Global Analytical Centre

Largest data, analytics and research partner for S&P Global Ratings

Research, Analytics & Solutions

Market Intelligence & Analytics (MI&A)

Provider of unique insights and comprehensive risk & analytics solutions powered by proprietary data and deep domain expertise

Global Research & Risk Solutions (GR&RS)

Partners with world's biggest financial institutions in helping them grow revenues, minimize risk, enhance productivity, make better decisions and enhance returns

Global Benchmarking Analytics (GBA)

Leading provider of strategic benchmarking, analytics and insights to top 20 global banks, 35 of top 50 commercial banks and 95 of top 100 asset managers

Global presence


4,600+ employees globally; 40+ nationalities across 12 countries; ~39% women employees



Map not to scale, for representation purpose only



Certified 'Great Place to Work' in India for 4th year in a row and recognized among Top 100 Best Workplace for Women in India




CRISIL among Top 50 organizations and Winner for 2nd year in a row in the Model Validation category

Chartis RiskTech Quadrant®
Category Leader
Credit Risk Management Solutions (Banking Book), 2024

Chartis RiskTech Quadrant®
Category Leader
Credit Risk Management Solutions (Trading Book), 2024

Solutions Category award for Model Validation Tools and Accelerators in Chartis STORM 2024 ranking report










India Workplace Equality Index

'Bronze' employer by India Workplace Equality Index (IWEI)

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Key trends in macro and business environment

Global



Global GDP growth is holding up, with the U.S. and India leading the way. The US Federal Reserve and the RBI are expected to implement rate cuts in the latter part of 2024



Global banks continue to focus on operational efficiencies, regulatory compliance and business transformation. Sustained activity in private capital



Growing impetus on captives by global institutions



While there is optimism, the ongoing economic uncertainty has prompted a cautious stance on discretionary spending by global clients



Increased volatility due to macro uncertainties leading to greater client need for benchmarking solutions to target opportunities and efficiencies



Continued advancement of emerging technologies such as Gen AI

India



India's GDP grew by a higher-than-expected 8.2% in FY'24. GDP growth to moderate to 6.8% this fiscal on account of high interest rate and lower fiscal impulse due to fiscal consolidation



Bank credit growth continued a steady path supported by the retail and services sectors. Growth in bond issuances likely to remain sluggish until the rate cuts are implemented by the RBI










Healthy corporate balance sheets, robust banking system, government's capex focus and broad-basing of private investments will be supportive of domestic activity



Medium-term growth trend expected to remain healthy, largely fueled by capital and efficiency

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Resilient performance amidst global market challenges

3.3% ↑

H1 2024

3.4% ↑

Q2 2024

Income from operations

3.8% ↑

H1 2024








6.7% ↑

Q2 2024

Profit before tax (PBT)

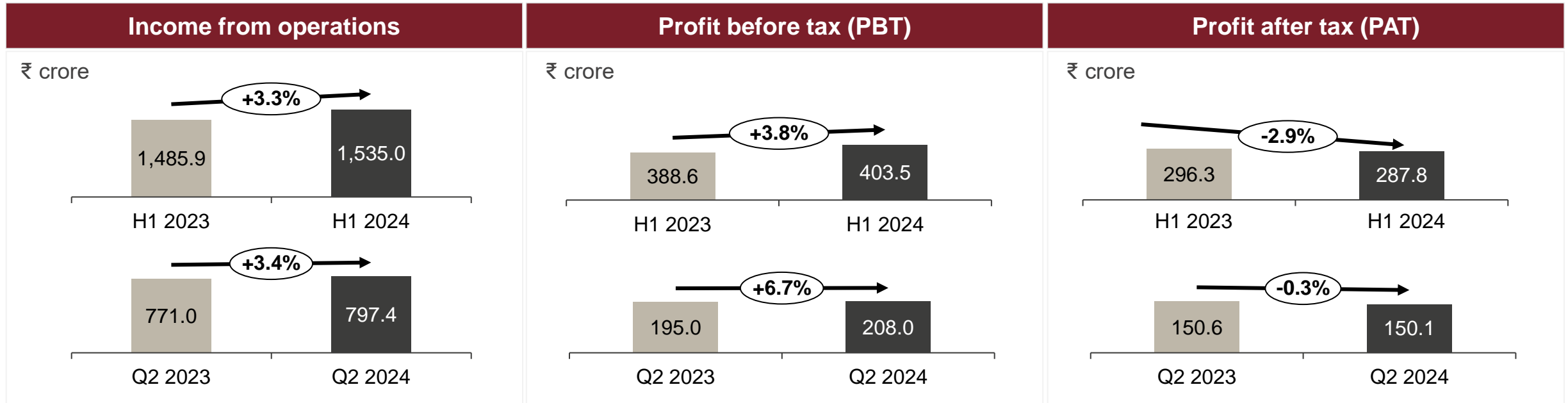
- Ratings Services segment delivered revenue growth driven by steady bank credit growth supported by the retail and services sectors. Large industry credit growth was tepid, and bond issuances declined during the quarter
- CRISIL ESG Ratings & Analytics Limited, a wholly owned subsidiary, received approval as Category 1 provider of ESG ratings in India
- Research, Analytics and Solutions segment saw momentum in lending solutions, regulatory support and benchmarking offerings amid curtailed discretionary spending by global clients; Market Intelligence & Analytics (MI&A) saw traction for credit, risk, data and analytics, and consulting offerings
- Interim dividend of ₹8 per share declared in Q2 2024
- Hosted the 2nd Annual Ratings Infrastructure Summit titled 'Surging on Policy Pivot', Ratings Conclave – Pune chapter, and panel discussion in New York on credit portfolio monitoring
- CRISIL Foundation expanded its outreach to more than 3 lakh rural community members, resulting in over 1.4 lakh linkages to various financial services and social security schemes in Assam and Rajasthan under the flagship 'Mein Pragati' programme

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Financial performance for H1 and Q2 2024



- Interim dividend of ₹8 per share declared in Q2 2024

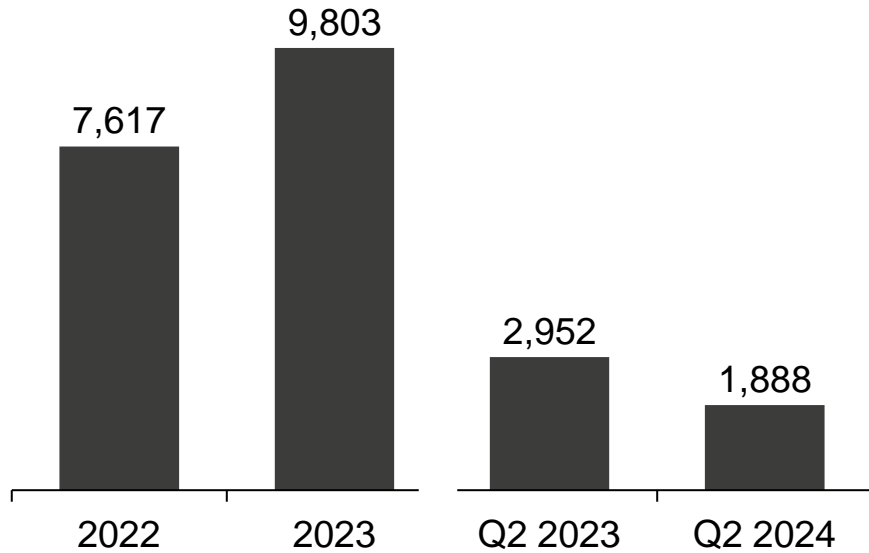
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Bond issuances remained sluggish; Bank credit growth continues to be rangebound

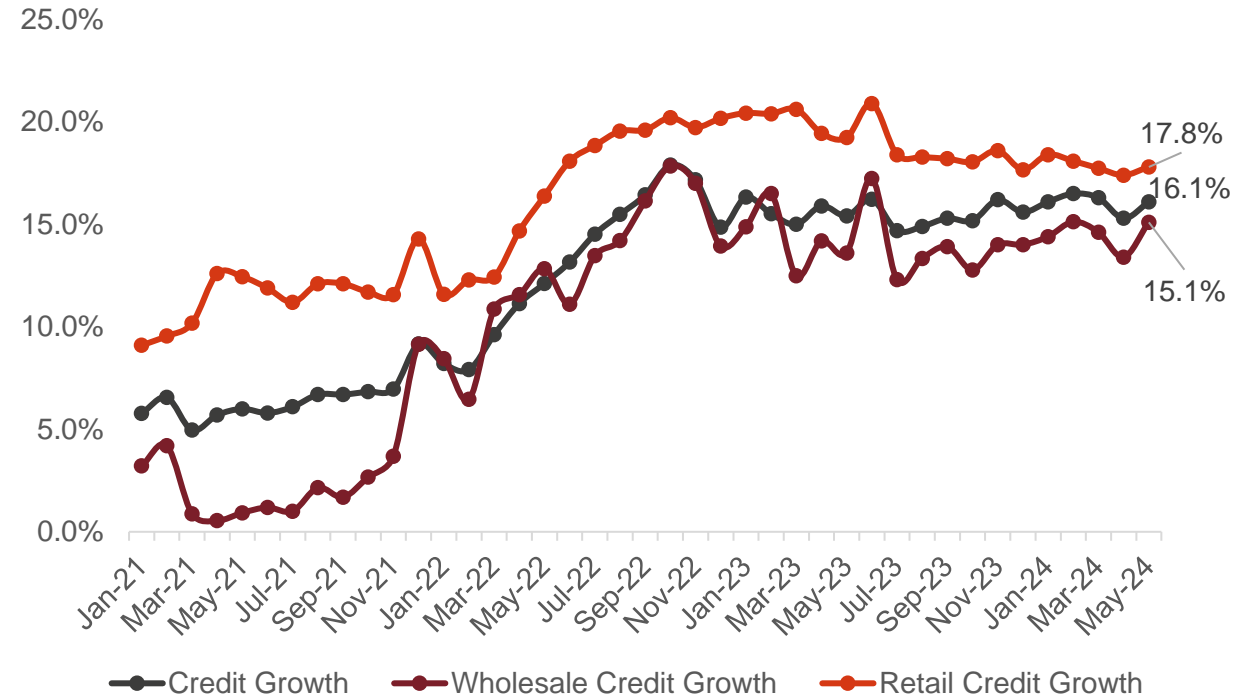
Bond issuance quantum (₹ billion)



No of Issuers	2022	2023	Q2 2023	Q2 2024
	~700	~1,000	~350	~330

Source: Prime Database, RBI
 *Data may get revised by Prime Database

Credit growth (%)



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Ratings Services performance highlights



Financials

Particulars (₹ cr)	H1 2023	H1 2024	Growth
Income from operations	377.2	414.7	9.9%
Segment profit	167.5	187.8	12.1%
Margin	44.4%	45.3%	

Particulars (₹ cr)	Q2 2023	Q2 2024	Growth
Income from operations	190.7	212.5	11.4%
Segment profit	77.8	86.5	11.2%
Margin	40.8%	40.7%	








Note: Numbers rounded off to first decimal



Business update

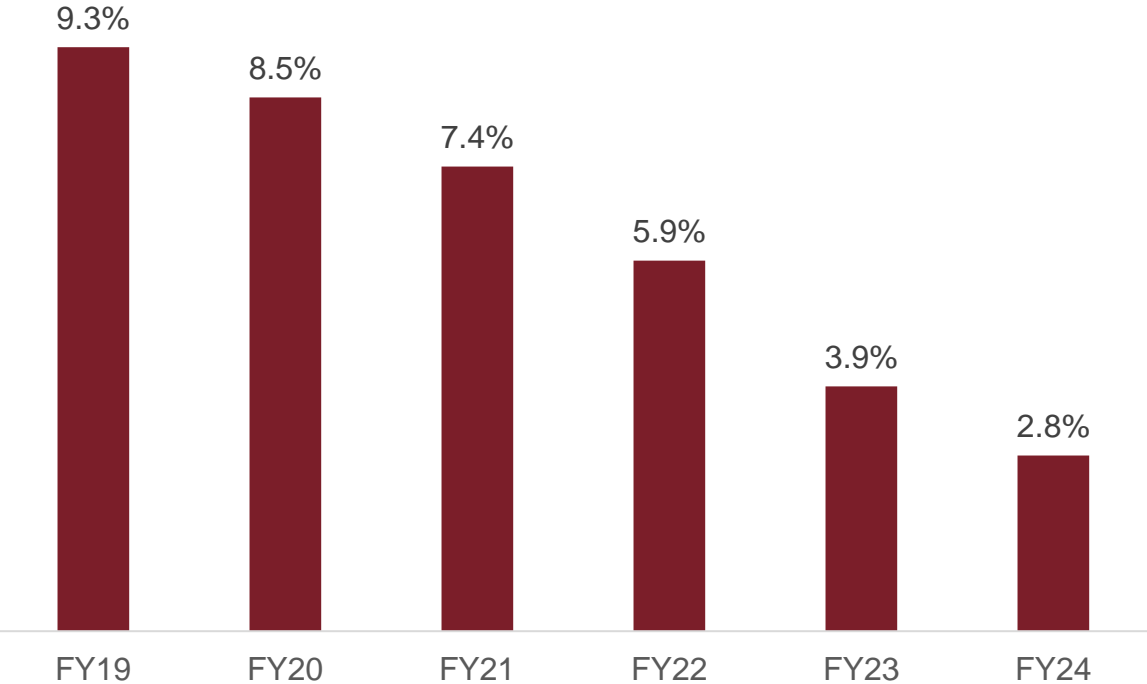
- The revenue of CRISIL Ratings Limited grew 10.7% on-year during the quarter, maintaining its leading position in the corporate ratings market, driven by investor preference for best-in-class ratings
- Global Analytical Centre (GAC) witnessed growth in delegation of ratings surveillance work and demand for support in new areas from S&P Global
- CRISIL Ratings hosted the 2nd Annual Ratings Infrastructure Summit titled 'Surging on Policy Pivot' and the Ratings Conclave – Pune chapter. It published reports on the ratings round-up for H2 FY24, and the airlines, InvITs, and REITs sectors, and hosted webinars on thermal power, IT, credit funding, and the chemical sectors

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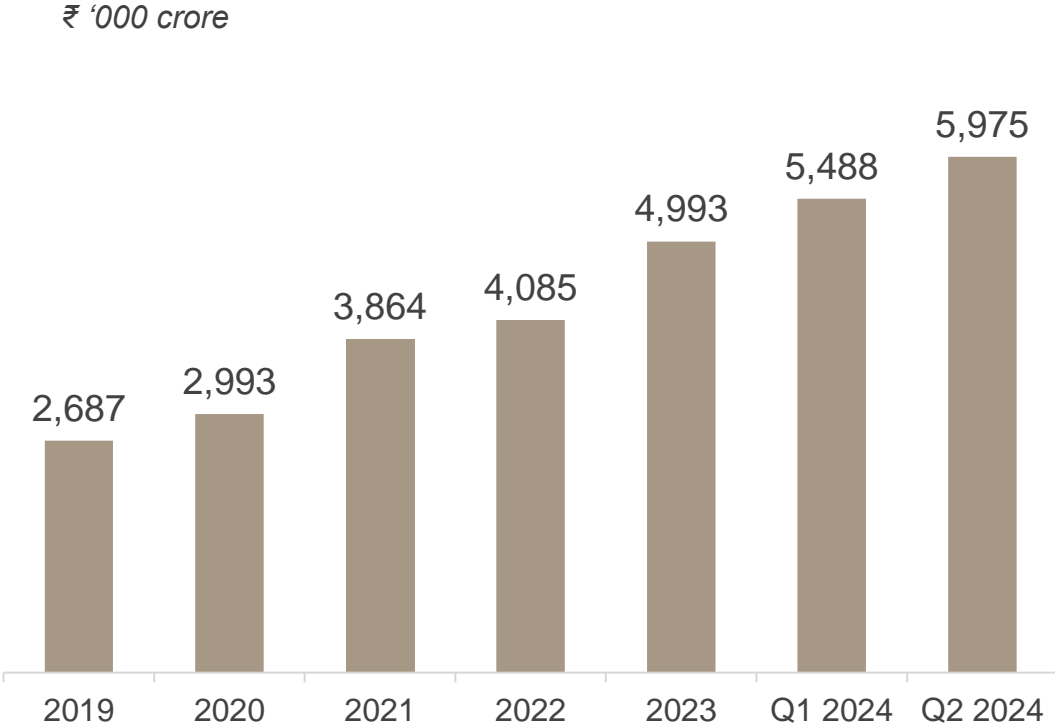
Healthier bank balance sheets and financialization of savings

Banking sector gross NPAs



Source: CRISIL MI&A Research

India mutual funds AUM*

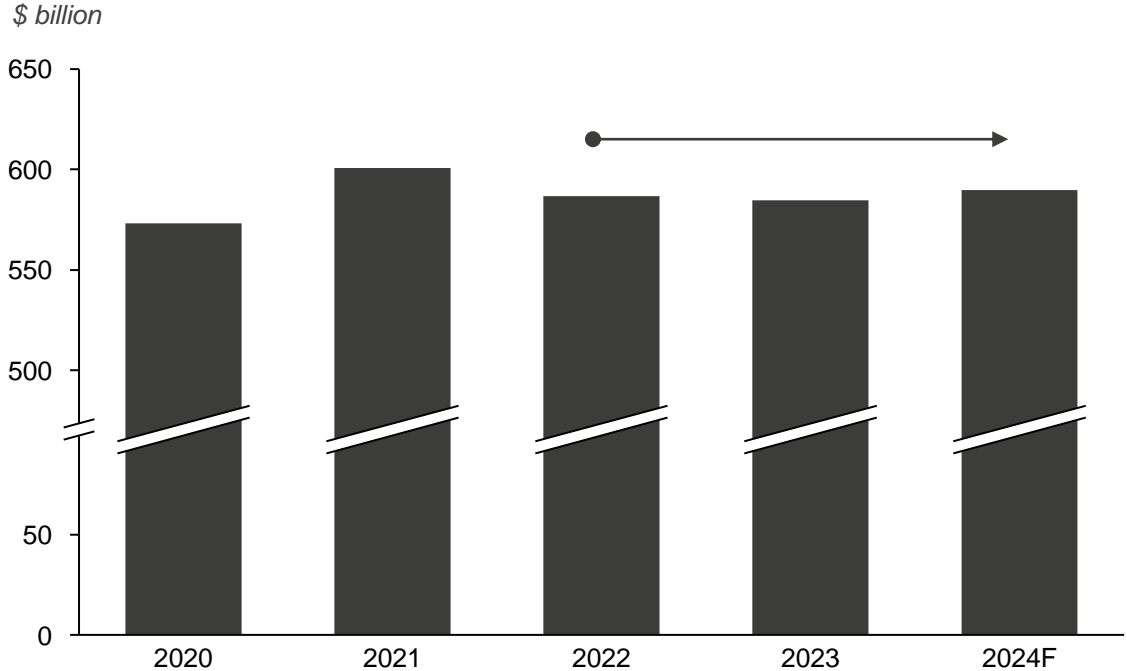


*Average AUM; Source: AMFI

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Focus on profitability of global banks impacting discretionary spends

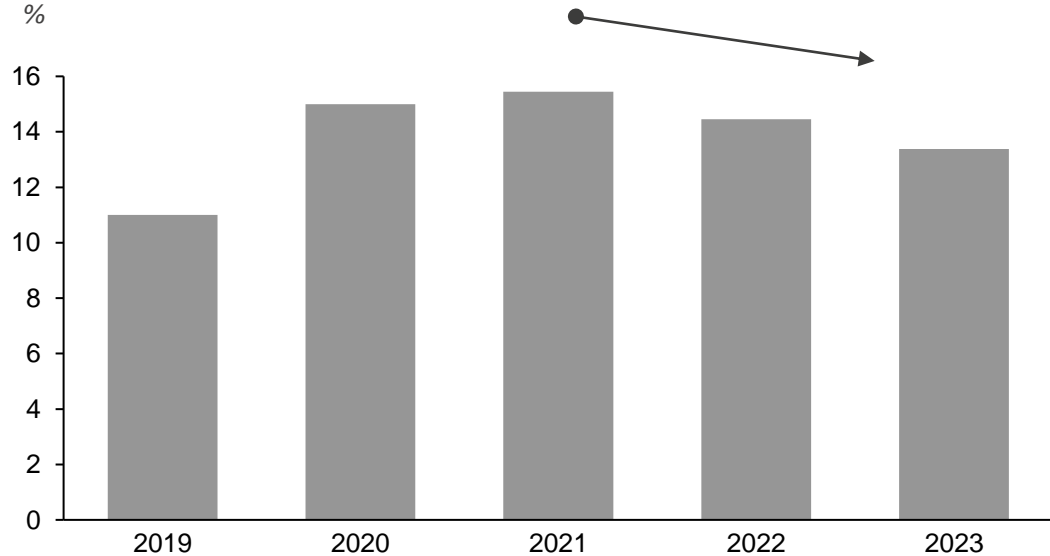
Global CIB revenue pools



Revenues Pools analysis includes revenues from all Institutional Clients and Corporates with annual sales turnover > \$ 1.5bn; 2024 forecast is as per preliminary estimates.

Source: Coalition Greenwich Competitor Analytics; Coalition Greenwich Proprietary data

CIB Return on equity (%)



ROE calculated based on Coalition Index Universe
RoE Index numbers include Credit Suisse until 2020 and have been replaced with Wells Fargo from 2021 onwards

Source: Coalition Greenwich Competitor Analytics

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Research, Analytics & Solutions performance highlights



Financials

Particulars (₹ cr)	H1 2023	H1 2024	Growth
Income from operations	1,108.7	1,120.4	1.1%
Segment profit	215.5	209.2	- 2.9%
Margin	18.7%	19.4%	

Particulars (₹ cr)	Q2 2023	Q2 2024	Growth
Income from operations	580.3	584.9	0.8%
Segment profit	106.2	122.3	15.2%
Margin	18.3%	20.9%	








Note: Numbers rounded off to first decimal



Business update

- Global Research and Risk Solutions (GR&RS) saw impact of curtailed discretionary spending by global clients. The business saw momentum in lending solutions and regulatory support
- Global Benchmarking Analytics (GBA) continues to focus on deepening client engagements and developing new analytical solutions
- Market Intelligence & Analytics (MI&A) saw traction for credit, risk, data and analytics, and consulting offerings
- GR&RS hosted a panel discussion in New York on credit portfolio monitoring and published reports on commercial real estate, private capital markets, covenant monitoring, and ESG data monitoring. GBA published insights on market structure and technology in equities, fixed income and FX trading, bond markets, treasury bills, commercial lending, and corporate banking. MI&A hosted webinars covering the EV, auto and auto component sectors, diversified Engineering, Procurement and Construction (EPC) companies

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Thought leadership

CRISIL Ratings 2nd edition of Annual Infrastructure Summit 2024



IN DEPTH / ECONOMY

stant (2011-12) prices in the year 2013-14 stood at Rs 99.21 lakh crore. In FY24, it is estimated at Rs 172.90 lakh crore. Which means in value terms the Indian economy added Rs 73.69 lakh crore in the last 10 years. Is that a good data point reflecting all-round growth of the economy? Perhaps not. But it does reflect growth amidst global challenges including the slowdown



GURPREET CHHATWAL, MD, CRISIL Ratings
 "The three key pillars of India Inc.'s credit quality — deleveraged balance sheets, sustained domestic demand and government-led capex — kept the upgrade rate elevated in the second half of fiscal 2024"



GUEST COLUMN
 ASHISH VORA

Seven things digital lenders must do to manage risks

Every adversity brings with it the seed of an equivalent advantage, said Napoleon Hill in his bestselling book *Think and Grow Rich*. Covid-19 proved him right. As part of efforts to boost financial inclusion and credit penetration, India's government seized an opportunity amid the pandemic to push digital lending. With the proliferation of smartphones and Wi-Fi offering tailwind, credit growth zoomed. Such growth touched a decadal high of 15.9 per cent in FY23 at ₹148 trillion, according to our ratings division's estimates.

The push for financial inclusion and the rise of e-commerce and digital payments have created new opportunities for digital lenders, who are leveraging technology to disburse loans to a wider audience. Data analytics, machine learning and artificial intelligence are used to assess creditworthiness, reduce fraud and offer personalised products to customers. This has made credit accessible and affordable for individuals and businesses.

The government's stimulus for micro, small and medium enterprises (MSMEs) — through the credit-linked capital subsidy scheme for technology upgrade, credit guarantee scheme and purchase and preference policy — has renewed the focus on lending to small businesses. This, in turn, has helped digital lenders who have historically faced challenges in accessing credit from traditional banking channels.

Digital lenders offer loans to small businesses at competitive rates and with flexible repayment terms. They use alternative data sources, such as goods and services tax returns, Income-Tax returns and bank statements, to assess creditworthiness. Credit growth momentum is seen across segments since 2020 with agriculture growth at 8 per cent, MSMEs at 14 per cent, retail at 15 per cent and corporate at five per cent, according to estimates by the Reserve Bank of India (RBI) and our ratings division.

While digital lending has benefits, it has also raised concerns about related credit and systemic risks. To address these concerns, the RBI approved the first-loss default guarantee framework in June 2023. Assessing credit risks crucial for digital lenders as it shapes their financial health, stability and the ability to partner with banks and non-banks. To effectively manage credit risk, organisations need to implement a robust risk management system that takes into consideration factors such as the financial stability of customers, market conditions and macroeconomic trends.



Coalition Greenwich A division of CRISIL

Q2 2024

Corporate Bond Dealers Focus on Trade Automation



Coalition Greenwich A division of CRISIL

Greenwich Commercial Lending Market Insight

Commercial Loan Data Sends Mixed Signals on Economic Recovery



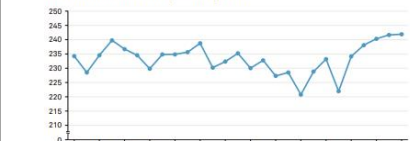
New and conflicting data on commercial loans could add to uncertainty as financial markets await some clarity from the U.S. Federal Reserve about interest rates.

Despite favourable readings in June on consumer and producer prices, Fed Chairman Jerome Powell said that for now, policymakers are content to leave rates unchanged until they get a clearer signal on the economy. New data on loan growth from Coalition Greenwich Commercial Loan Analytics (CLA) suggests that the commercial lending market may be showing signs of positivity. In short, the data reveals that while borrowing costs continue to rise for U.S. companies (typically viewed as a negative sign for the economy), commercial loan volumes have started to grow (a positive signal).

Corporate Borrowers Face Rising Prices

As shown in the graphic below, spreads on SOFR-based commercial loans have climbed to the highest levels since the middle of 2022, on average, among corporate borrowers. The market appears to be successful in risk-based pricing given the fact that along with the increase in SOFR pricing over the last two quarters, average Probabilities of Default have also increased over that period.

Rising Spreads on Commercial Loans Continue



Note: Data represents SOFR based, CRI, secured, bilateral, originations and renewals in the indicated time period with relationship between BMM and SOFR.
 Source: Coalition Greenwich Commercial Loan Analytics

Global Research & Risk Solutions



Navigating the Basel Committee proposals on counterparty credit risk

Insights, possible implications for banks



Global Research & Risk Solutions



Blockchain coming of age in finance

Substantial savings on infrastructure, transaction and administrative costs

May 2024



Market Intelligence & Analytics



Macroeconomics | First cut Sticky food, higher IIP

April 2024

Softer core, sharp fall in fuel offset the stubbornness in food inflation

Consumer price index (CPI) inflation eased to a five-month low of 4.9% in March from 5.1% in February. While core inflation declined to a record low of 3.3%, fuel inflated 3.2% on the back of lower domestic fuel prices. The worry though, remains on persistently high food inflation, at 8.5%. Higher seasonal inflation, erratic vegetable inflation and elevated pulses inflation are a cause of concern given the India Meteorological Department's (IMD) prediction of higher-than-normal temperatures between April and June.

Although headline inflation eased to 5.4% on year in March 2024 from 6.7%, food inflation surged to 7.5% from an already high 6.6% in fiscal 2023. The March 2024 reading of 8.5% food inflation creates some disquiet given the prediction of higher-than-average temperatures over the next few months that can stress vegetable production and some of the rate crop that is yet to be harvested.

Beyond that, we expect food inflation to ease a tad on the back of the prediction of a favourable monsoon (abnormal rains as per the IMD), some benefit from a high food inflation base and an expected season downturn in pulses inflation.

In our base case, we expect non-food inflation to remain comfortable, supported by softness in consumer demand, a pass-through of the previous year's oil price decline to domestic fuel (petrol and liquefied petroleum gas (LPG)) prices and an expectation of temperate crude prices in the base case.

Under these assumptions, we expect CPI inflation to average 4.5% this fiscal. Intermittent/persistent of geopolitical concerns and weather shocks, if any, pose an upside risk to this call.

Meanwhile, the government's budget is slimmer, which means the fiscal impulse to growth is also lesser and, therefore, less inflationary. All these create favourable grounds for rate cuts this fiscal but the notorious food inflation or geopolitical escalations get in the way and delay the decision.

Key data points in March

- CPI inflation eased to a five-month low of 4.9% from 5.1%
- Food inflation moderated marginally from 8.7% but remained high at 8.5%
- Fuel inflation declined to -3.2% from -0.8%
- Core CPI inflation eased to 3.3% from 3.4%

Figures in % for fuel and light
 CPI excluding food and beverages, and fuel and light
 Research

Global Research & Risk Solutions










Alarm bells ring for market surveillance

FCA's Market Watch 79 calls for effective arrangements, systems and procedures

Insight June 2024



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Driving positive social impact through CSR initiatives

Financial capability building of rural women and communities



Field visit by CRISIL CSR Committee in Assam

- Mein Pragati expanded its community impact to more than 3 lakh community outreach through its trained Sakhi cadre in Assam and Rajasthan
- As part of RBI's scale-up of the CFL* project, 675 centres continue to be operational, facilitating outreach of 19 lakh across 14 states and 4 UTs

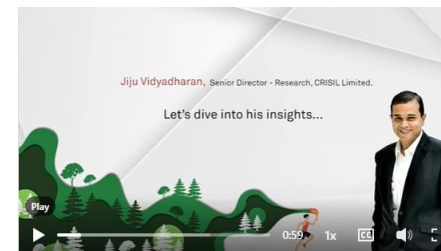
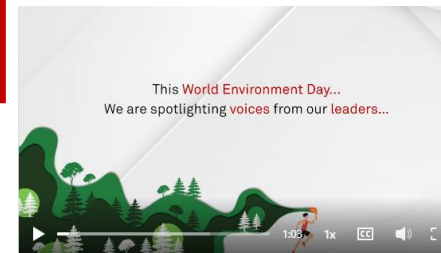
Promoting environment conservation and volunteering



Environment conservation – key initiatives around plantations and wetland clean-up drives organised, with participation from CRISIL volunteers

*CFL: Center for Financial Literacy

To observe the World Environment Day (June 5), senior leaders across CRISIL came together as part of a larger campaign **#PassTheGreenTorch** – a step towards building environmental responsibility and stewardship



About CRISIL Limited

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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