

# Capital Markets

## India

Sector View: **Cautious** NIFTY-50: **26,329**

**January 04, 2026**

### Round-up on rating agencies

We upgrade CRISIL to REDUCE (from SELL) and ICRA to ADD (from REDUCE), following share price weakness in the past 12-15 months. While we remain constructive on the growth cycle for credit ratings, the non-ratings vertical lacks strong growth visibility (more so for ICRA). At an industry level, we are seeing nascent signs of more broad-based volumes, beyond just financial firms, along with a pickup in retail participation in the secondary markets, which augur well for the ratings cycle.

#### **CRISIL: Valuations normalize but earnings capture upside; REDUCE (from SELL)**

CRISIL shares have been effectively flat for two years, though multiple have had 30-35% up/down moves during the period. Current valuations, at close to the long-term mean, are much more reasonable. Our ~16% EPS CAGR over FY2025-27E builds in (1) 18% credit rating revenue CAGR, resulting in 18-19% ratings EBIT growth; (2) ~13% revenue CAGR in the S&P captive business with stable margins; and (3) 11% revenue CAGR in non-ratings, partly supported by M&A, driving 14% EBIT CAGR. We remain constructive on the ratings business, anticipating improved bond issuance activity and a potential pickup in corporate capex. Our view on the non-ratings business is a bit more subjective, given the lower disclosures compared to ratings. We upgrade the stock to REDUCE (from SELL), with an unchanged FV (Rs4,500), valuing it at ~30X March 2028E earnings. Growth visibility in the international business, while better than the previous year, remains uncertain (our estimates already factor in growth recovery) and optimism around domestic ratings is already reflected (through growth and multiples) in our SoTP-based FV of Rs4,600 (Rs4,500 earlier).

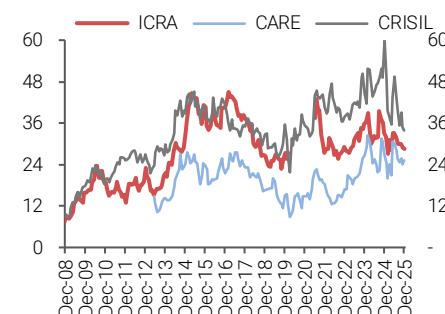
#### **ICRA: Time correction opens upside; upgrade to ADD (from REDUCE)**

ICRA shares have underperformed the broader markets, staying nearly flat for 12-15 months. For ICRA as well, we have a positive outlook on the domestic credit ratings business, with a ~15% revenue CAGR over FY2026-28E, supporting ~20% EBIT growth in the business. ICRA has been focused on diversifying revenues away from ratings. We have some concerns on the non-ratings business: (1) Growth struggle in Moody's captive business (~30% of total revenues; ~35% EBIT margin) due to automation efforts and the scale-down of work related to ESG ratings; (2) inorganic-heavy nature of diversification efforts, which increases strategy and execution risks; and (3) a mixed track record with respect to revenue diversification strategy. We upgrade the stock to ADD (from REDUCE), primarily due to lower valuations resulting in a moderate upside to our SoTP-based FV of Rs7,000 (Rs6,900 earlier). At our FV, ICRA is valued at ~30X March 2028E earnings.

#### **Corporate bond issuances and trading: Current state of the market**

We put together some exhibits covering the current state of the primary and secondary bond market. We are seeing some uptick in the number of issuances by non-financial firms, although their share in the amount of debt rated is yet to show a similar pickup. We are also seeing strong secondary market activity, driven by: (1) growth in electronic trading across retail and institutional participants through the RFQ platform; (2) growth of online bond trading platforms, supported by lowering of face value to Rs10,000 from Rs1 mn; and (3) other measures such as information repository, reduced listing fees, capping ISINs per issuer to prevent liquidity fragmentation, etc.

#### Company data and valuation summary



Source: Bloomberg

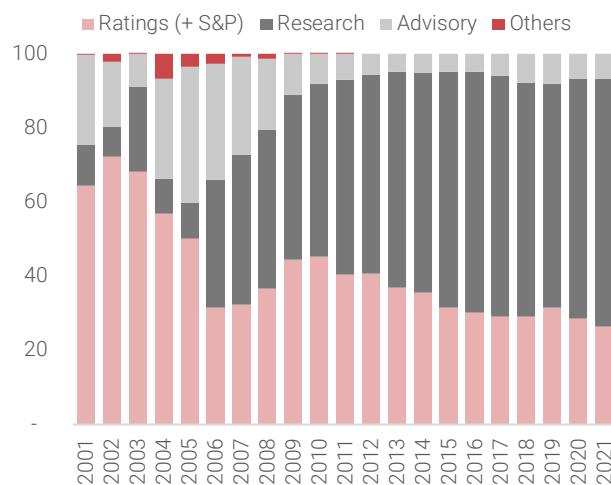
Prices in this report are based on the market close of January 02, 2026

| Abhijeet Sakhare Nikhil Suresh

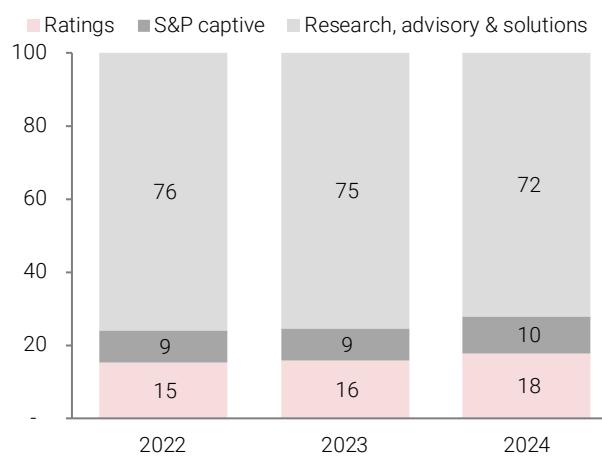
#### Related Research

→ [Beneficiaries of credit cycle but valuations misplaced](#)

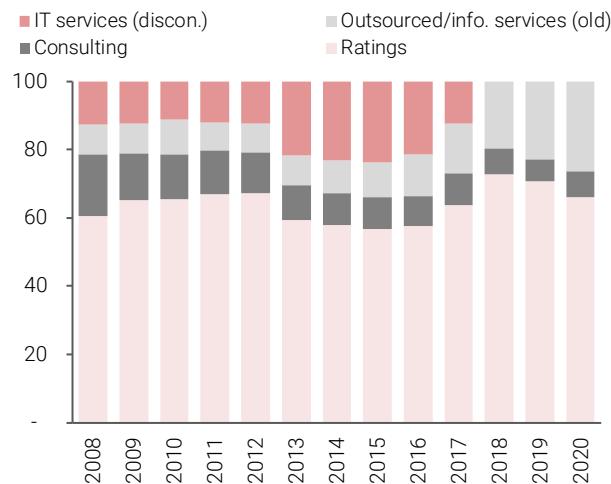
[Full sector coverage on KINSITE](#)

**CRISIL: Share of rating revenues has declined over the years**
**Exhibit 1: Revenue mix, December fiscal year-end, 2001-21 (%)**


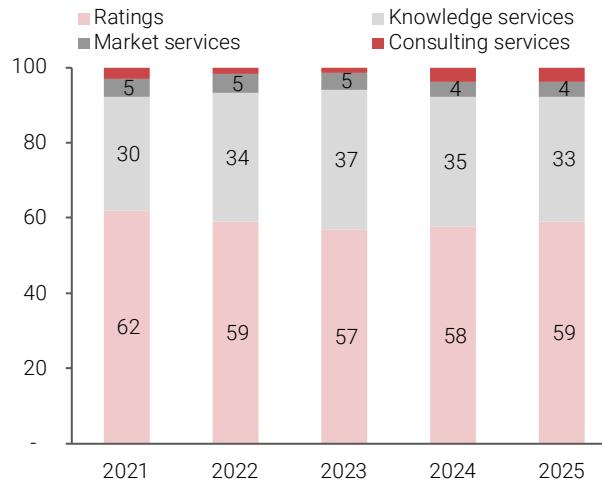
Source: Company, Kotak Institutional Equities

**CRISIL: Rating contributes only ~20% of revenues**
**Exhibit 2: Revenue mix, December fiscal year-end, 2022-24 (%)**


Source: Company, Kotak Institutional Equities

**ICRA: Ratings is a primary business segment...**
**Exhibit 3: Revenue mix (old disclosure), March fiscal year-ends, 2008-20 (%)**


Source: Company, Kotak Institutional Equities

**...with knowledge services growing its share in recent years**
**Exhibit 4: Revenue mix (new disclosure), March fiscal year-ends, 2021-25 (%)**


Source: Company, Kotak Institutional Equities

### Ratings business comparison

Exhibit 5: Ratings business comparison, March fiscal year-ends, 2023-26

	2023	2024	2025	1QFY26	2QFY26
<b>Ratings revenue (Rs mn)</b>					
CARE	2,615	2,984	3,601	830	1,230
CRISIL	6,893	7,881	9,749	2,507	2,676
ICRA	2,300	2,576	2,946	742	841
<b>Overall revenues (Rs mn)</b>					
CARE	2,790	3,317	4,023	939	1,364
CRISIL	28,887	31,623	33,353	8,430	9,112
ICRA	4,032	4,461	4,980	1,245	1,366
<b>Ratings (% of revenues)</b>					
CARE	94	90	90	88	90
CRISIL	24	25	29	30	29
ICRA	57	58	59	60	62
<b>Ratings: operating profit (Rs mn)</b>					
CARE	1,100	1,657	1,958	377	755
CRISIL	2,907	3,463	4,295	1,026	1,202
ICRA	586	679	1,004	230	294
<b>Ratings: operating margin (%)</b>					
CARE	42	56	54	45	61
CRISIL	42	44	44	41	45
ICRA	25	26	34	31	35

Notes: For CRISIL, ratings includes S&P captive business (~30% of ratings; 20% margin).

Source: Company, Kotak Institutional Equities

### Long-term rating revenue growth

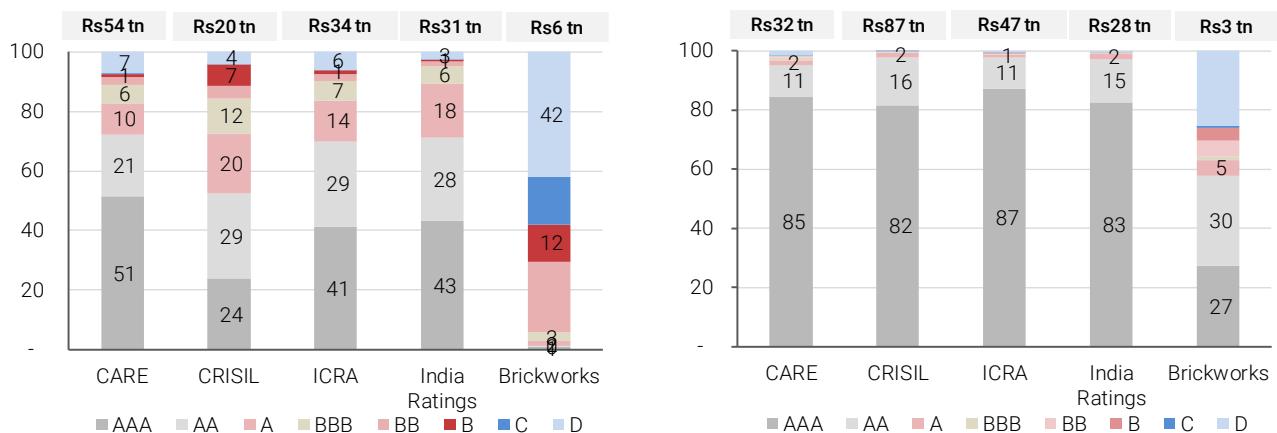
Exhibit 6: Rating revenues for rating agencies, March fiscal year-ends, 2014-25 (Rs mn)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	10Y CAGR	5Y CAGR
<b>Rating revenues</b>														
CRISIL	2,864	3,019	2,885	2,929	3,022	3,245	3,457	3,509	3,863	4,406	5,153	6,061	8.1	11.9
CARE	2,268	2,543	2,648	2,778	3,300	3,163	2,254	2,165	2,290	2,615	2,984	3,601	3.9	9.8
ICRA	1,643	1,823	1,972	2,135	2,259	2,344	2,143	1,846	2,020	2,300	2,576	2,946	5.5	6.6
India Ratings	650	890	890	1,170	1,261	1,427	1,367	1,341	1,505	1,740	1,946	2,149	10.3	9.5
Infomerics	—	—	2	10	41	77	204	258	320	492	636	757	NM	30
Brickworks	370	460	520	605	749	792	662	565	485	241	50	59	(20.5)	(38)
Acuite	300	330	224	246	300	384	320	330	420	454	425	473	4.1	8.1
<b>Total</b>	<b>8,095</b>	<b>9,066</b>	<b>9,141</b>	<b>9,873</b>	<b>10,932</b>	<b>11,431</b>	<b>10,408</b>	<b>10,013</b>	<b>10,904</b>	<b>12,249</b>	<b>13,770</b>	<b>16,046</b>	<b>6.5</b>	<b>9.0</b>
<b>YoY (%)</b>														
CRISIL	5	(4)	2	3	7	7	1	10	14	17	18			
CARE	12	4	5	19	(4)	(29)	(4)	6	14	14	21			
ICRA	11	8	8	6	4	(9)	(14)	9	14	12	14			
India Ratings	37	—	31	8	13	(4)	(2)	12	16	12	10			
<b>Total</b>	<b>12</b>	<b>1</b>	<b>8</b>	<b>11</b>	<b>5</b>	<b>(9)</b>	<b>(4)</b>	<b>9</b>	<b>12</b>	<b>12</b>	<b>17</b>			
<b>Revenue share</b>														
CRISIL	35	33	32	30	28	28	33	35	35	36	37	38		
CARE	28	28	29	28	30	28	22	22	21	21	22	22		
ICRA	20	20	22	22	21	21	21	18	19	19	19	18		
India Ratings	8	10	10	12	12	12	13	13	14	14	14	13		
Infomerics	—	—	0	0	0	1	2	3	3	4	5	5		
Brickworks	5	5	6	6	7	7	6	6	4	2	0	0		
Acuite	4	4	2	2	3	3	3	3	4	4	3	3		
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>		

Source: Company, Kotak Institutional Equities

## CRISIL leads industry in bond ratings, whereas CARE leads in bank loan ratings

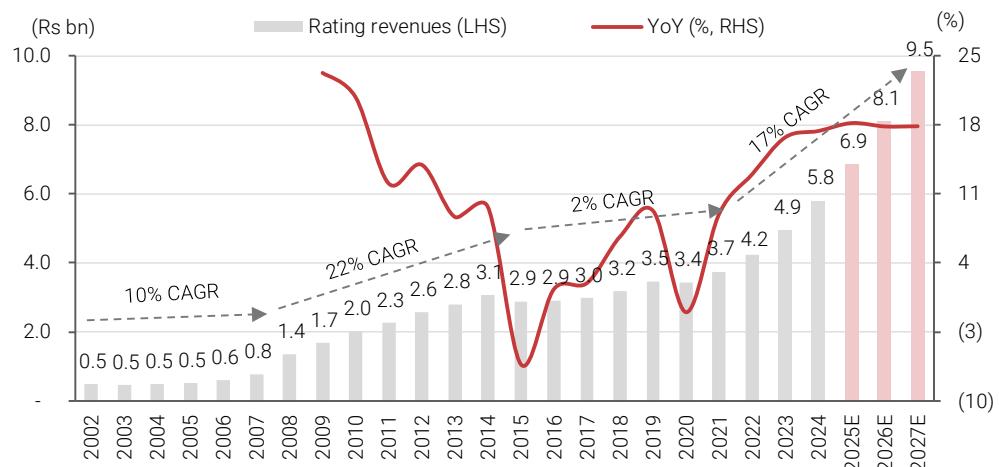
Exhibit 7: March fiscal year-ends, 2019-25 (%)



Source: Company, Kotak Institutional Equities

## CRISIL: Rating's revenues likely to increase at CAGR of ~18%

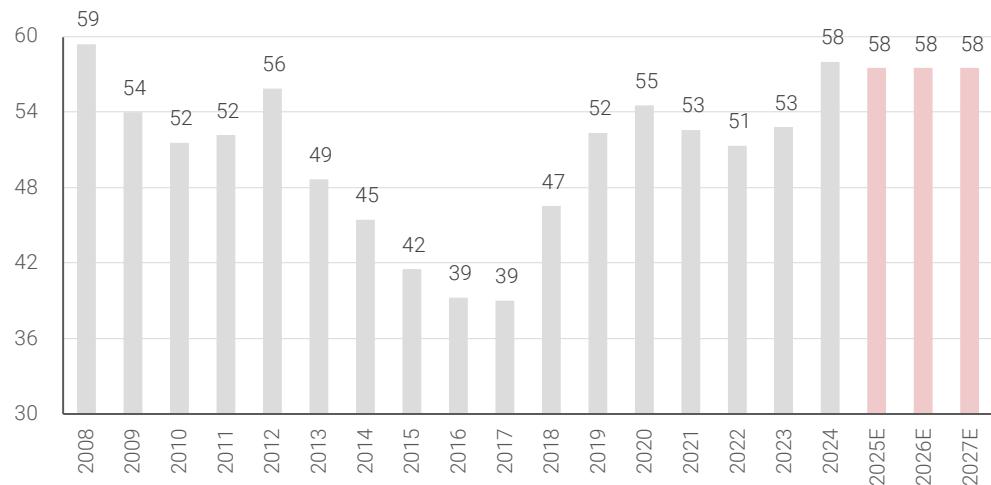
Exhibit 8: Rating revenue growth, December fiscal year-ends, 2002-26E



Source: Company, Kotak Institutional Equities estimates

**CRISIL: Ratings business operating margins are strong**

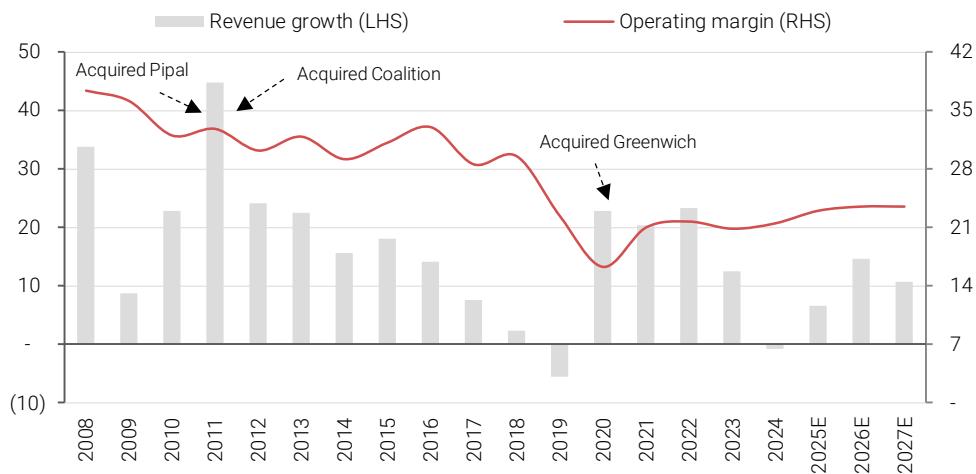
Exhibit 9: EBIT margin in ratings, December fiscal year-ends, 2008-26E



Source: Company, Kotak Institutional Equities estimates

**CRISIL: Research business revenue growth supported by M&A but margins have trended down**

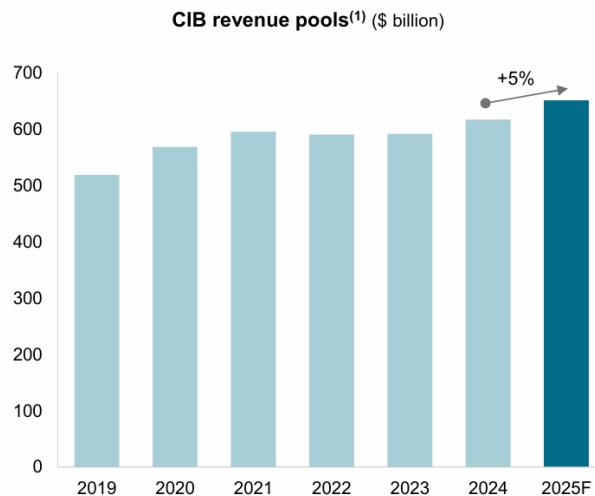
Exhibit 10: Research segment margins, December fiscal year-ends, 2008-26E



Source: Company, Kotak Institutional Equities

**Profitability focus of global banks leading to measured stance on discretionary spends**

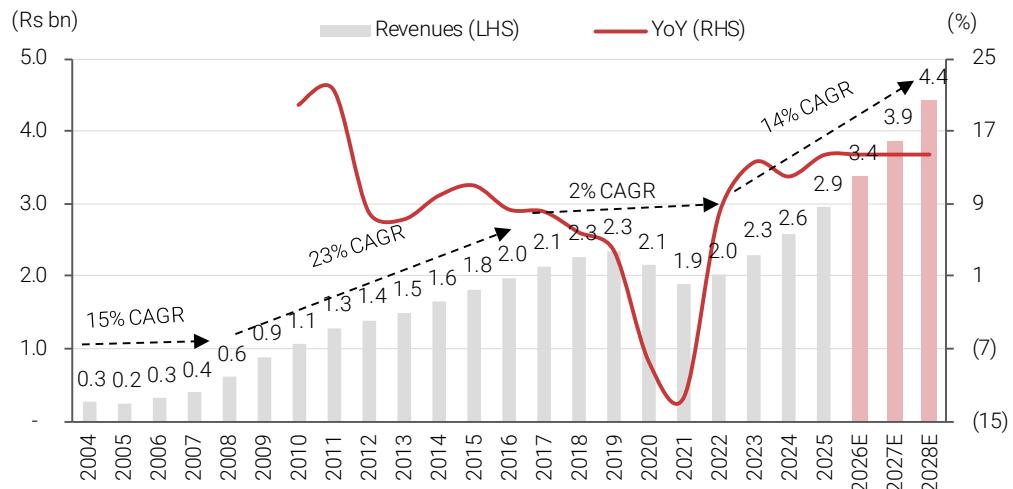
Exhibit 11: CIB revenue pool, December fiscal year-ends, 2015-25E



Source: Company

**ICRA: Ratings revenue growth likely to grow around mid-teens in the medium term**

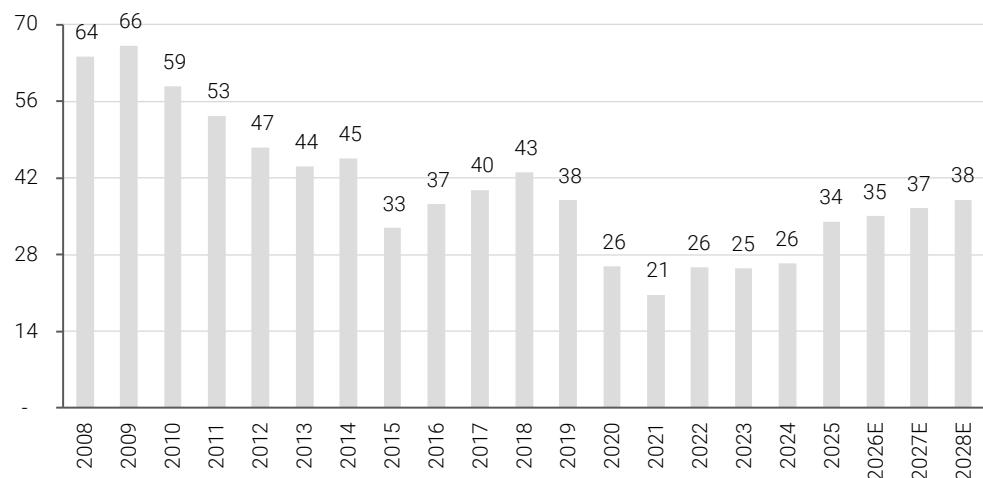
Exhibit 12: Revenue and yoy growth, March fiscal year-ends, 2004-28E (%)



Source: Company, Kotak Institutional Equities estimates

**ICRA's ratings margins are lower than CRISIL**

Exhibit 13: Rating margin and revenue growth, March fiscal year-ends, 2008-28E (%)



Source: Company, Kotak Institutional Equities estimates

**Non-ratings business revenue growth supported by one large M&A**

Exhibit 14: Non-rating revenues and operating margin, March fiscal year-ends, 2021-28E

	2021	2022	2023	2024	2025	2026E	2027E	2028E
<b>Revenues (Rs mn)</b>								
<b>New segments</b>								
Consulting services	92	62	57	164	187	437	1,232	1,355
Knowledge services	909	1,177	1,501	1,546	1,662	1,795	1,939	2,094
Market services	145	171	183	180	198	214	236	255
<b>Non-rating revenues</b>	<b>1,146</b>	<b>1,411</b>	<b>1,741</b>	<b>1,891</b>	<b>2,048</b>	<b>2,447</b>	<b>3,406</b>	<b>3,703</b>
YoY (%)	4	23	23	9	8	19	39	9
<b>Operating margin (%)</b>								
<b>New segments</b>								
Consulting services	(54)	(50)	(40)	(21)	(10)	7	8	9
Knowledge services	39	51	50	47	37	38	36	34
Market services	11	21	11	6	7	10	10	10

Source: Company, Kotak Institutional Equities estimates

**Debt private placement - issue amount and breakdown across CRAs**
**Exhibit 15: March fiscal year-ends, 2015-26**

	Issuance amount by rating agency (Rs bn)							Market share (%)				
	CRISIL	ICRA	CARE	India Ratings	Brickworks	SMERA	Not rated/know n	Issue amount	India Ratings			
									CRISIL	ICRA	CARE	India Ratings
<b>AAA</b>												
2015	2,325	2,015	1,785	710				2,970	78	68	60	24
2016	1,883	1,437	1,648	734				2,835	66	51	58	26
2017	3,108	2,356	2,485	1,038				4,111	76	57	60	25
2018	3,093	2,506	2,267	1,245				4,076	76	61	56	31
2019	3,675	2,763	2,501	1,868				4,805	76	58	52	39
2020	4,145	2,895	2,819	2,378				5,200	80	56	54	46
2021	4,363	3,866	3,111	2,199				5,673	77	68	55	39
2022	3,166	2,410	2,039	1,291				4,098	77	59	50	31
2023	4,446	3,755	2,566	1,838				5,811	77	65	44	32
2024	5,288	3,604	2,847	2,379				6,726	79	54	42	35
2025	5,527	3,664	3,950	3,121		1		7,535	73	49	52	41
9MFY26	3,430	2,770	2,250	1,228				4,465	77	62	50	27
<b>AA+/AA/AA-</b>												
2015	376	534	524	245	76	-	-	1,287	29	41	41	19
2016	392	477	407	188	63	5	-	1,192	33	40	34	16
2017	590	750	724	535	363	9	-	2,068	29	36	35	26
2018	647	716	682	516	353	12	-	2,049	32	35	33	25
2019	335	372	397	208	162	34	-	1,195	28	31	33	17
2020	414	288	232	208	47	24	-	948	44	30	24	22
2021	674	392	418	460	96	28	-	1,453	46	27	29	32
2022	820	500	370	611	38	32	-	1,562	52	32	24	39
2023	870	494	379	675	13	194	-	1,691	51	29	22	40
2024	771	543	267	405	-	68	-	1,356	57	40	20	30
2025	888	694	595	803	-	138	-	1,994	45	35	30	40
9MFY26	870	584	516	476	-	172	-	1,663	52	35	31	29
<b>Rest</b>												
2015	67	132	120	61	228	1	173	683	10	19	18	9
2016	35	154	110	56	223	0	719	1,165	3	13	9	5
2017	84	206	125	132	339	1	639	1,180	7	17	11	11
2018	179	110	140	154	245	1	439	846	21	13	16	18
2019	89	152	94	55	185	3	411	788	11	19	12	7
2020	85	98	96	34	59	15	505	797	11	12	12	4
2021	83	129	104	33	229	27	159	544	15	24	19	6
2022	86	59	71	94	67	44	565	883	10	7	8	11
2023	80	86	184	123	3	47	788	1,190	7	7	16	10
2024	70	90	380	119	0	44	1,569	2,182	3	4	17	5
2025	140	78	157	86	1	34	1,281	1,626	9	5	10	5
9MFY26	218	81	132	112	9	41	1,383	1,981	11	4	7	6

Source: Kotak Institutional Equities

**At FV, CRISIL will trade at ~30X March 2028E earnings**
**Exhibit 16: SoTP valuation for CRISIL, March 2028**

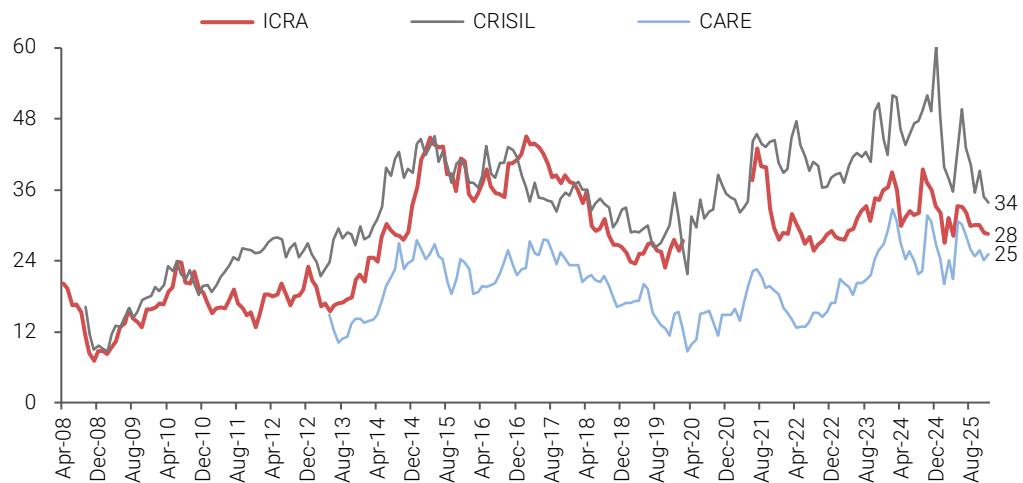
	Value (Rs bn)	Valuer per share (Rs)	Comments
Ratings	180	2,460	DCF-based; implies~42X Mar-28E earnings
Research, analytics & solutions	118	1,609	Assign ~23X Mar-28E earnings; pegged to peers
Global analytics center (S&P captive)	11	157	Assign ~15X Mar-28E earnings
Cash	25	344	
<b>Total</b>	<b>334</b>	<b>4,569</b>	<b>Implies ~30X Mar-28E EPS</b>

Source: Company, Kotak Institutional Equities estimates

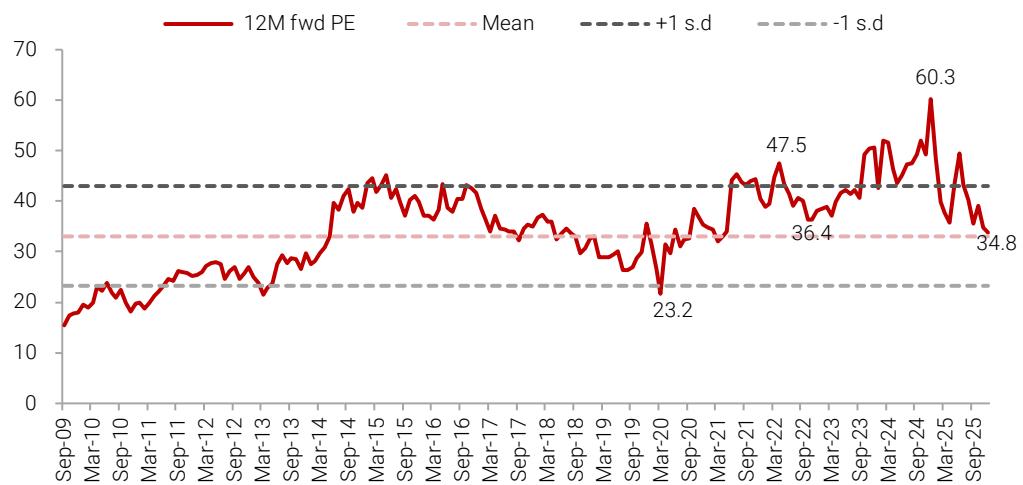
**At our FV, ICRA will trade at ~30X March 2028E earnings**
**Exhibit 17: SoTP valuation for ICRA, March 2028**

	Value (Rs bn)	Valuer per share (Rs)	Comments
Ratings	44	4,581	DCF-based; implies ~35X Mar-28E earnings
Non-ratings	14	1,417	Assign 18X Mar-28E earnings
Cash	10	1,044	
<b>Total</b>	<b>68</b>	<b>7,041</b>	<b>Implies ~30X Mar-28E EPS</b>

Source: Company, Kotak Institutional Equities estimates

**Forward multiples of ratings agencies have corrected in the last 12 months**
**Exhibit 18: 12-month forward PE, 2008-25 (X)**


Source: Bloomberg, Kotak Institutional Equities

**CRISIL – PE multiples have corrected closer to long-term mean levels**
**Exhibit 19: 12-month forward PE, 2008-25 (X)**


Source: Bloomberg, Kotak Institutional Equities

**ICRA – PE multiples have corrected closer to long-term mean levels**

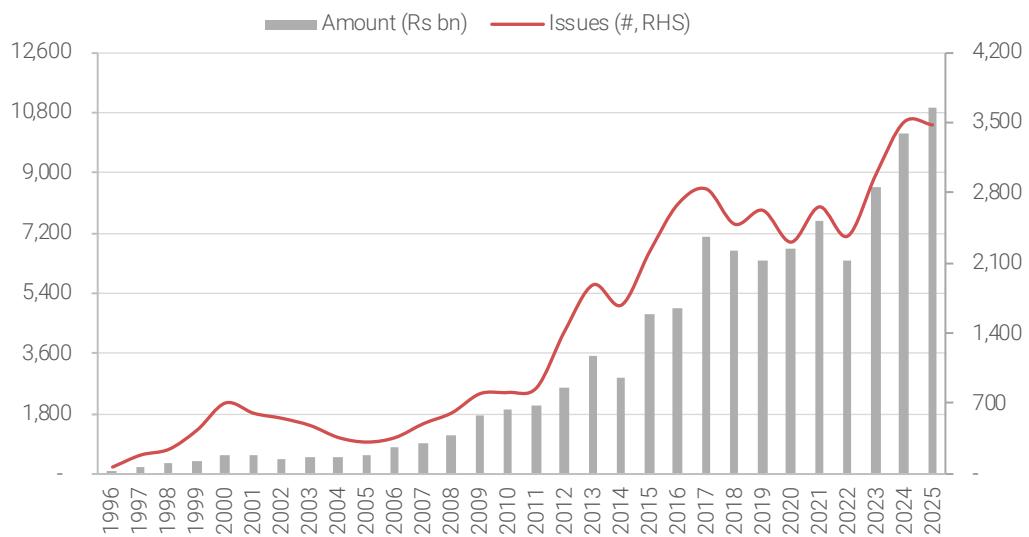
Exhibit 20: 12-month forward PE, 2008-25 (X)



Source: Bloomberg, Kotak Institutional Equities

**FY2023-25 have been strong years in issuances**

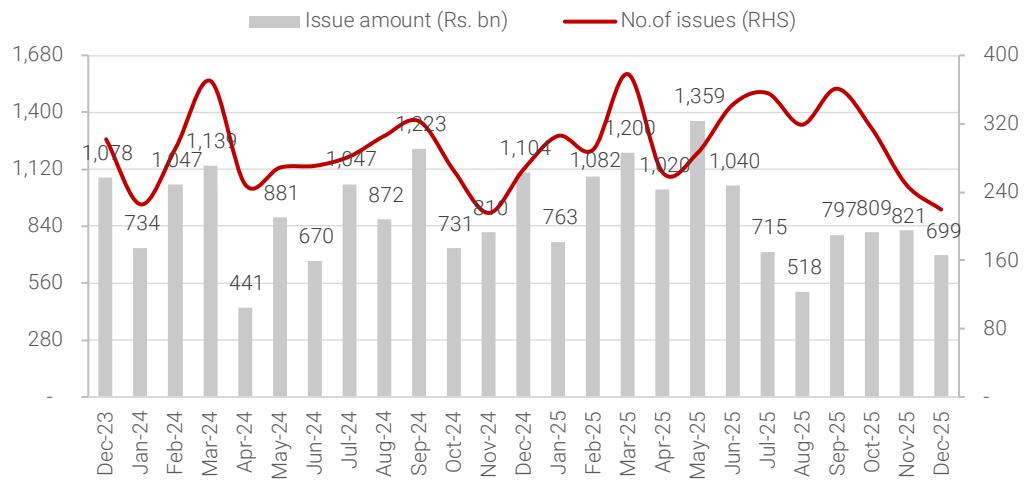
Exhibit 21: Amount of debt private placement issuances, 1996-24



Source: Prime Database, Kotak Institutional Equities

### Monthly bond issuance trends

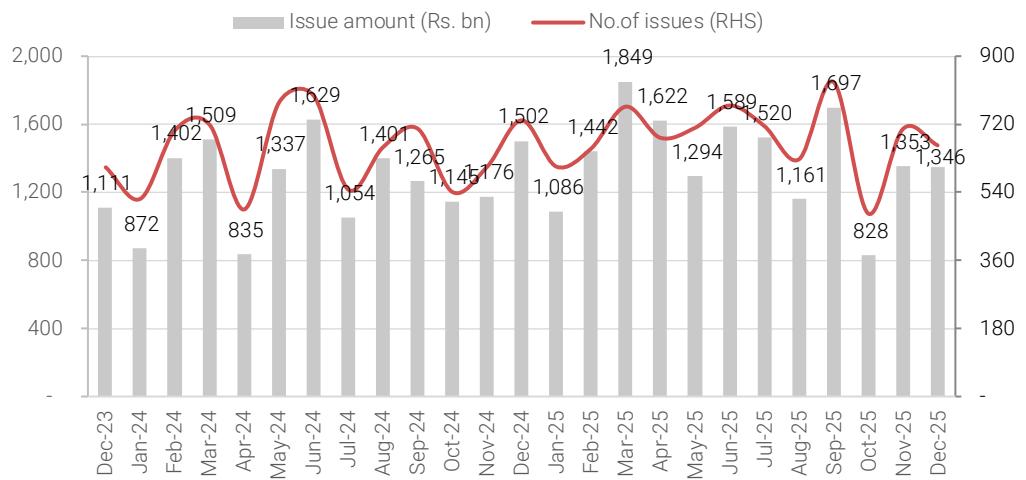
Exhibit 22: Bond private placements, number and amount of issuances, December 2023-December 2025



Source: Prime Database, Kotak Institutional Equities

### Monthly CP issuance trends

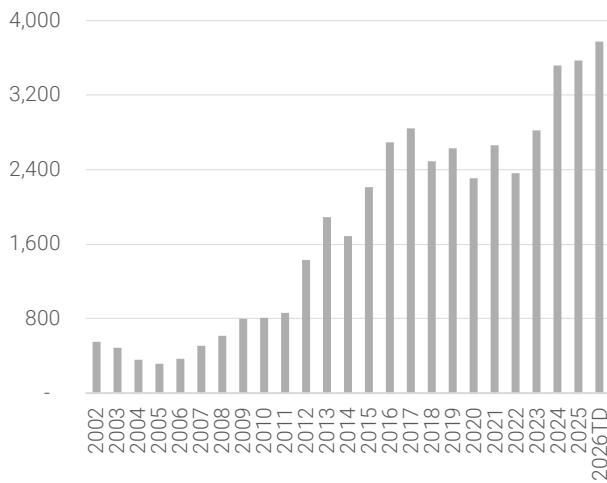
Exhibit 23: CP placements, number and amount of issuances, December 2023-December 2025



Source: Prime Database, Kotak Institutional Equities

### Number of debt issuances have been growing

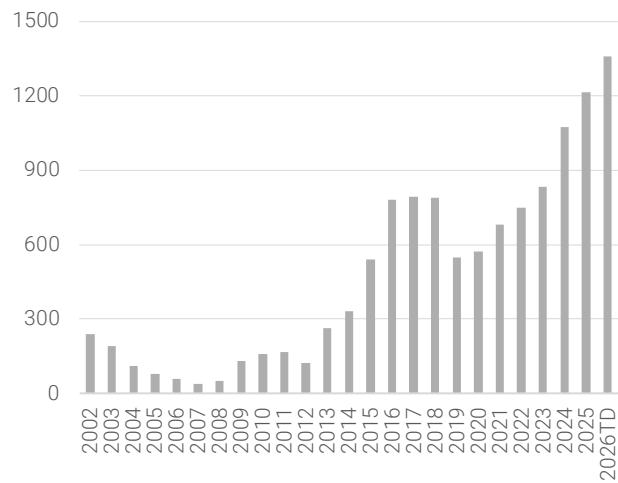
Exhibit 24: Overall number of debt issuances, March fiscal year-ends, 2002-26 (# mn)



Source: Prime Database, Kotak Institutional Equities

### Debt issuances by non-financial firms have grown more rapidly

Exhibit 25: Number of debt issuances by non-financial issuers, March fiscal year-ends, 2002-26 (# mn)



Source: Prime Database, Kotak Institutional Equities

### Higher share of non-financial issuers in recent years

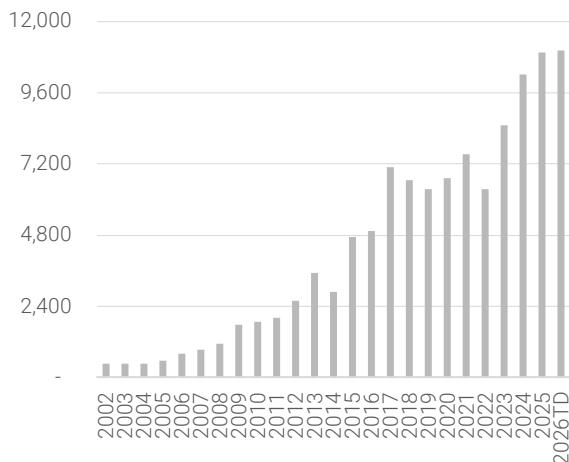
Exhibit 26: Number of debt issuances, March fiscal year-ends, 2002-26 (# mn)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Banking/term lending	33	31	32	38	45	36	27	19	24	21	14	13	7	7	5	6	6	5	5	4	4	4	4	4	4
Financial services	21	26	36	31	30	47	53	56	48	47	62	59	56	53	50	53	51	66	64	62	58	61	62	57	55
Housing finance	2	5	3	7	10	10	11	9	8	13	16	14	17	16	16	13	11	8	6	8	6	5	4	5	5
Housing/real-estate	2	3	1	1	1	2	2	2	3	3	1	3	6	12	16	12	13	10	10	9	13	11	9	11	11
Power generation & supply	6	5	7	4	2	2	1	2	3	3	2	2	4	3	3	4	6	2	4	4	4	4	2	4	4
Telecom	1	1	1	1	1	0	—	0	1	0	0	0	0	0	0	1	0	0	0	0	1	0	0	0	0
Oil exploration/refining/drilling	3	—	1	—	1	—	—	0	1	1	0	0	0	0	0	0	0	0	1	1	0	0	—	0	0
Roads & highway	1	1	1	1	0	0	0	0	1	1	0	1	1	2	2	1	1	1	1	3	1	1	1	1	1
Shipbuilding	0	—	0	0	0	—	—	1	0	0	0	0	0	—	0	0	0	0	0	0	0	0	0	—	—
Steel	3	1	1	—	1	0	0	0	1	2	1	0	1	1	0	0	0	—	0	0	1	0	0	0	0
Diversified	2	5	1	0	—	—	1	2	1	2	1	1	1	1	0	1	1	0	0	1	0	0	0	0	0
Travel & transport	2	1	3	2	2	0	0	—	2	1	1	1	0	1	1	1	1	1	1	2	2	3	2	2	2
Hospital/diagnostics	0	1	0	—	—	—	—	0	0	0	0	0	0	0	0	1	1	0	0	0	0	0	1	1	1
Engineering	1	1	0	—	0	0	—	0	0	1	0	0	0	0	0	0	1	0	0	0	0	1	0	1	1
Hotels & tourism	0	—	0	0	—	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	1	1	1	1
Pharma	1	1	—	—	1	0	0	0	1	0	0	0	0	0	0	1	1	0	0	0	0	1	1	1	1
Cement & construction	2	3	1	2	1	0	0	0	0	1	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0
Petrochemicals	0	1	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	0	0	0	0	0	0	0
Textiles	1	1	1	2	1	0	0	0	1	0	0	0	1	1	0	1	1	0	1	0	0	0	1	1	1
Paper	0	0	1	—	—	0	0	0	1	—	0	0	—	0	0	0	0	0	0	0	0	0	0	0	0
Others	18	15	10	10	6	1	3	5	5	5	2	3	4	5	4	5	6	4	5	6	7	7	10	13	14
Total	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Financials	57	61	70	76	84	93	92	84	80	81	91	86	80	76	71	72	68	79	75	74	68	71	69	66	64
Others	43	39	30	24	16	7	8	16	20	19	9	14	20	24	29	28	32	21	25	26	32	29	31	34	36

Source: Kotak Institutional Equities

**Amount of debt issuances have been growing steadily**

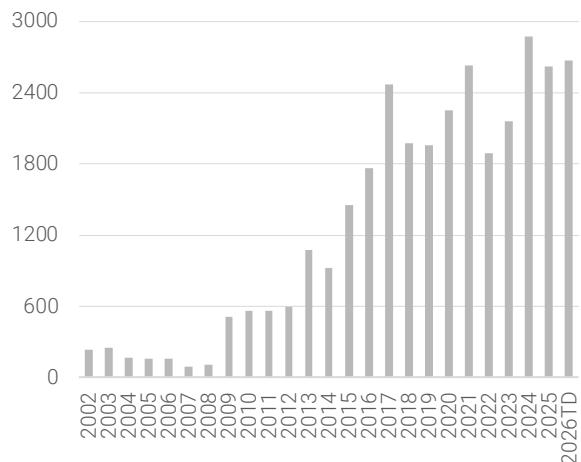
Exhibit 27: Overall amount of debt issuances, March fiscal year-ends, 2002-26 (Rs bn)



Source: Prime Database, Kotak Institutional Equities

**Contribution of non-financial firms has declined**

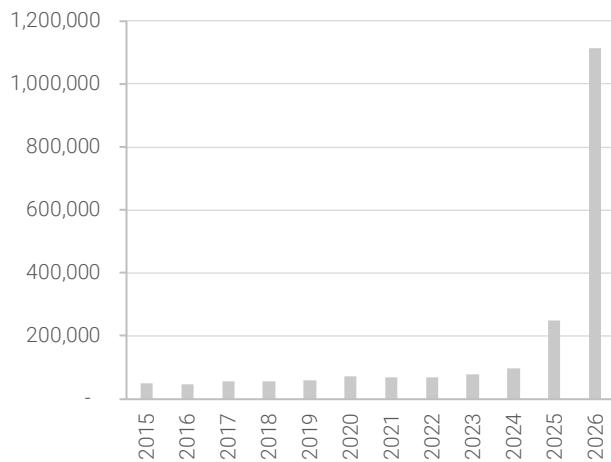
Exhibit 28: Amount of debt issuances by non-financial firms, March fiscal year-ends, 2002-26 (Rs bn)



Source: Prime Database, Kotak Institutional Equities

**Sharp rise in number of trades in the secondary bond market...**

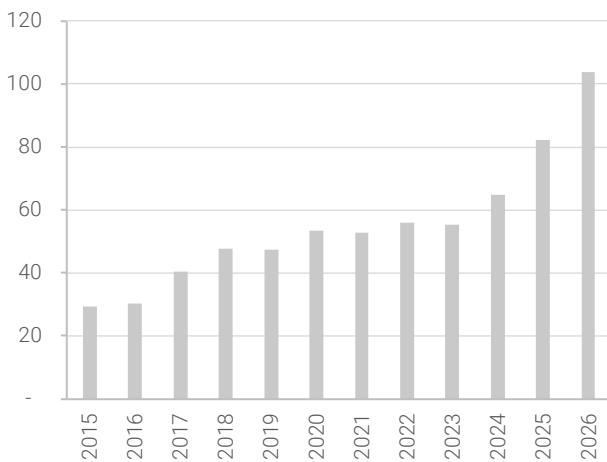
Exhibit 29: Number of trades in corporate bond trading platforms, March fiscal year-ends, 2015-26 (#)



Source: NSE, Kotak Institutional Equities

**...leading to growth in value traded**

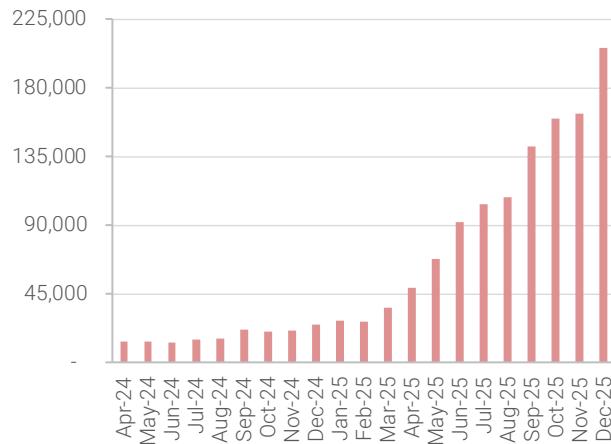
Exhibit 30: Average daily trading value at corporate bond trading platforms, March fiscal year-ends, 2015-26 (Rs bn)



Source: NSE, Kotak Institutional Equities

## 2025 has been an inflection year for trading volumes

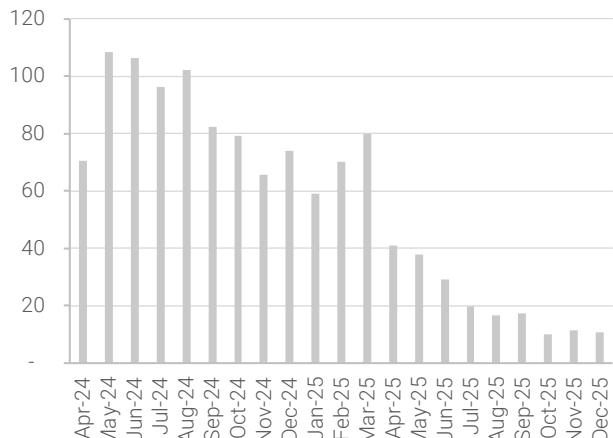
Exhibit 31: Number of trades in corporate bond trading platforms, 2024-25 (#)



Source: NSE, Kotak Institutional Equities

## Retail participation has led to a sharp fall in average trade size

Exhibit 32: Average trade size, 2024-25 (Rs mn)



Source: NSE, Kotak Institutional Equities

## CRISIL: Changes in estimates

Exhibit 33: December year-ends, 2025-27E

Key P&L items	New estimates (Rs mn)			Old estimates (Rs mn)			Change (%)		
	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E
Revenue from operations	35,697	41,046	46,082	35,697	41,190	46,394	-	(0)	(1)
Ratings	10,641	12,320	14,273	10,641	12,320	14,273	-	-	-
Research, advisory & solutions	25,056	28,726	31,809	25,056	28,870	32,121	-	(0)	(1)
Other income	1,156	1,233	1,366	1,012	1,085	1,168	14	14	17
Total income	36,852	42,279	47,447	36,709	42,275	47,562	0	0	(0)
Expenses	26,275	29,748	33,118	26,199	29,660	33,024	0	0	0
Employee expenses	19,154	21,789	24,532	19,154	21,789	24,532	-	-	-
Other expenses	7,122	7,959	8,586	7,045	7,871	8,492	1	1	1
EBIT	9,464	11,342	13,010	9,540	11,574	13,417	(1)	(2)	(3)
PBT	10,577	12,531	14,329	10,510	12,615	14,538	1	(1)	(1)
Tax	2,750	3,133	3,582	2,680	3,028	3,489	3	3	3
PAT post minority interest	7,827	9,398	10,747	7,830	9,588	11,049	(0)	(2)	(3)
EPS (Rs)	107	129	147	107	131	151			
Key ratios (%)									
Cost-to-income	71.3	70.4	69.8	71.37	70.16	69.43	(0)	0	1
EBIT margin	26.5	27.6	28.2	26.7	28.1	28.9	-21 bps	-47 bps	-69 bps
RoE	29.0	31.3	32.0	29.0	31.9	32.8	-1 bps	-59 bps	-78 bps

Source: Kotak Institutional Equities estimates

**ICRA: Changes in estimates**

Exhibit 34: ICRA – changes in estimates, March fiscal year-ends, 2026-28E (Rs mn)

	New estimates (Rs mn)			Old estimates (Rs mn)			Change (%)		
	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
<b>Key P&amp;L items</b>									
Revenue from operations	5,807	7,252	8,106	5,580	6,287	7,083	4	15	14
Ratings	3,370	3,856	4,412	3,370	3,856	4,412	-	-	-
Non-ratings	2,437	3,396	3,693	2,209	2,431	2,671	10	40	38
Other income	730	682	733	846	926	1,013	(14)	(26)	(28)
Total income	6,537	7,935	8,838	6,426	7,213	8,096	2	10	9
Expenses	3,901	4,963	5,481	3,776	4,185	4,635	3	19	18
Employee expenses	2,966	3,735	4,180	2,904	3,226	3,582	2	16	17
Other expenses	934	1,229	1,301	872	959	1,054	7	28	23
EBIT	1,955	2,337	2,673	1,852	2,151	2,495	6	9	7
PBT	2,636	2,972	3,358	2,650	3,029	3,460	(1)	(2)	(3)
Tax	672	758	856	663	757	865	1	0	(1)
PAT post minority interest	1,964	2,214	2,501	1,988	2,271	2,595	(1)	(3)	(4)
EPS (Rs)	204	229	259	206	235	269			
<b>Key ratios (%)</b>									
Cost-to-income	59.7	62.6	62.0	58.8	58.0	57.3	2	8	8
EBIT margin	33.7	32.2	33.0	33.2	34.2	35.2	47 bps	-198 bps	-226 bps
RoE	18.0	19.1	20.1	18.2	19.5	20.8	-21 bps	-47 bps	-68 bps

Source: Company, Kotak Institutional Equities estimates

**Consolidated income statement for CRISIL Ltd**
**Exhibit 35: December fiscal year-ends, 2020-27E (Rs mn)**

	2020	2021	2022	2023	2024	2025E	2026E	2027E
<b>Growth rates (%)</b>								
Revenue from operations	14	16	20	13	4	10	15	12
Investment income	(36)	17	6	135	2	20	8	15
Total income	14	15	22	12	4	10	15	12
Operating expenses	22	12	19	10	2	8	13	11
Employee expense	22	20	21	13	1	9	14	13
PBT before exceptional items	(7)	25	30	17	7	14	18	14
PAT	3	31	21	17	4	14	20	14
EBIT	(7)	30	24	24	8	13	20	15
<b>Key ratios</b>								
Cost-income (%)	81	78	78	75	74	74	72	72
EBITDA margin (%)	26	27	26	28	28	29	30	30
EBIT margin (%)	20	22	23	25	26	27	28	28
Net profit margin (%)	17	20	20	20	20	21	22	23
Investment yield (%)	2.4	2.5	2.3	4.4	3.9	4.9	4.8	4.5
RoE (%)	29	32	33	33	29	29	31	32
Dividend payout ratio (%)	68	72	62	60	60	65	65	65
<b>P&amp;L</b>								
Revenue from operations	19,818	23,007	27,687	31,395	32,598	35,697	41,046	46,082
Ratings	5,650	6,041	6,634	7,724	9,092	10,641	12,320	14,273
Research (old)	12,827	15,437	—	—	—	—	—	—
Advisory (old)	1,341	1,529	—	—	—	—	—	—
Research, Analytics and Solutions (new)	—	17,083	21,053	23,671	23,506	25,056	28,726	31,809
Operating expenses	(14,712)	(16,902)	(20,391)	(22,580)	(23,490)	(25,499)	(28,933)	(32,262)
Employee expense	(10,684)	(12,869)	(15,530)	(17,478)	(17,651)	(19,154)	(21,789)	(24,532)
Professional fees	(1,084)	(1,239)	(1,230)	(1,262)	(1,459)	(1,605)	(1,765)	(1,942)
Associate service fee	(1,316)	(1,226)	(1,322)	(1,476)	(1,322)	(1,428)	(1,571)	(1,728)
Other expenses	(1,627)	(1,568)	(2,309)	(2,364)	(3,058)	(3,312)	(3,808)	(4,061)
EBITDA	5,106	6,105	7,297	8,815	9,108	10,198	12,113	13,820
Depreciation and amortisation	(1,211)	(1,060)	(1,033)	(1,038)	(700)	(734)	(771)	(810)
EBIT	3,895	5,045	6,263	7,777	8,409	9,464	11,342	13,010
Other income	832	770	1,225	936	896	1,156	1,233	1,366
Finance costs	(144)	(89)	(64)	(37)	(40)	(42)	(44)	(47)
Exceptionals	—	458	—	—	—	—	—	—
Profit before tax	4,583	6,184	7,424	8,677	9,265	10,577	12,531	14,329
Tax	(1,036)	(1,526)	(1,780)	(2,093)	(2,424)	(2,750)	(3,133)	(3,582)
PAT	3,547	4,658	5,644	6,584	6,841	7,827	9,398	10,747
EPS (Rs)	49	64	77	90	94	107	129	147
Number of shares (# mn)	73	73	73	73	73	73	73	73

Source: Company, Kotak Institutional Equities estimates

**Consolidated balance sheet for CRISIL Ltd.****Exhibit 36: December fiscal year-ends, 2020-27E (Rs mn)**

	2020	2021	2022	2023	2024	2025E	2026E	2027E
<b>Balance sheet</b>								
Share capital	73	73	73	73	73	73	73	73
Reserves and surplus	13,046	15,711	17,847	21,820	25,575	28,315	31,604	35,365
Shareholder's fund	13,118	15,784	17,920	21,893	25,648	28,388	31,677	35,438
Lease liabilities	2,241	1,321	835	473	2,500	2,700	2,916	3,149
Employee related payables & provisions	1,927	2,529	3,490	1,415	1,486	1,560	1,638	1,720
Trade payables	1,054	1,337	1,439	1,426	1,854	2,002	2,162	2,335
Provisions	976	952	1,159	1,415	1,588	1,667	1,750	1,838
Other liabilities	2,751	3,116	3,467	6,524	6,342	6,660	6,993	7,342
<b>Total liabilities</b>	<b>8,948</b>	<b>9,255</b>	<b>10,390</b>	<b>11,253</b>	<b>13,770</b>	<b>14,589</b>	<b>15,459</b>	<b>16,384</b>
Investment	6,463	8,402	8,742	13,343	14,541	16,137	17,973	20,085
Cash and bank balances	2,787	2,944	3,214	3,699	3,045	728	2,247	3,915
Trade receivables	3,074	3,985	7,588	6,724	5,498	5,773	6,061	6,365
Fixed assets	2,501	1,673	1,340	998	4,427	5,255	4,992	4,743
Goodwill on consolidation	3,759	3,727	3,798	4,208	4,246	6,696	6,696	6,696
Intangible assets	1,366	1,208	1,052	1,141	1,083	1,138	1,194	1,254
Other assets	1,660	2,729	2,459	2,908	6,517	7,168	7,885	8,674
<b>Net assets</b>	<b>22,067</b>	<b>25,039</b>	<b>28,310</b>	<b>33,145</b>	<b>39,418</b>	<b>42,962</b>	<b>47,122</b>	<b>51,809</b>
<b>Key metrics/ratios</b>								
Cash and cash equivalents	2,787	2,944	3,214	3,699	3,045	728	2,247	3,915
Gross borrowings	—	—	—	—	—	—	—	—
Net cash and cash equivalents	2,787	2,944	3,214	3,699	3,045	728	2,247	3,915
Receivable days	60	68	109	83	63	62	58	53
RoE (%)	29	32	33	33	29	29	31	32
RoIC (%)	33	38	47	50	47	50	56	59

Source: Company, Kotak Institutional Equities estimates

**Consolidated cash flow statement****Exhibit 37: December fiscal year-ends, 2020-27E (Rs mn)**

	2020	2021	2022	2023	2024	2025E	2026E	2027E
<b>Cash flow statement</b>								
PBT	4,583	6,184	7,424	8,677	9,265	10,577	12,531	14,329
Depreciation and amortisation expense	1,211	1,060	1,033	1,038	700	734	771	810
Other income, net	(109)	(708)	(566)	(900)	(856)	(1,113)	(1,189)	(1,319)
Working capital changes								
(Increase)/ Decrease in trade receivables	(474)	(960)	(2,165)	865	1,226	(275)	(289)	(303)
(Increase)/ Decrease in other assets	342	(1,057)	(368)	(458)	(3,545)	(657)	(722)	(794)
Increase/ (Decrease) in trade payables	153	421	112	(14)	428	148	160	173
Increase/ (Decrease) in other liabilities	548	1,060	1,297	1,237	62	471	494	519
Cash taxes paid	(1,250)	(1,970)	(2,205)	(2,442)	(3,134)	(2,750)	(3,133)	(3,582)
Cash flow from operations	5,005	4,031	4,564	7,804	7,651	7,136	8,624	9,832
(Purchase)/sale of fixed assets	(340)	270	(389)	(591)	(1,710)	(3,867)	(349)	(387)
(Purchase)/sale of investments	(2,888)	(1,153)	(228)	(2,676)	(2,143)	(441)	(603)	(746)
Interest income	62	74	40	144	109	1,156	1,233	1,366
Cash flow from investing	(3,167)	(809)	(577)	(3,124)	(3,745)	(3,153)	281	233
Dividends paid	(2,320)	(2,765)	(3,431)	(3,582)	(4,241)	(5,088)	(6,109)	(6,985)
Cash flow from financing	(2,651)	(2,910)	(3,683)	(4,077)	(4,418)	(5,130)	(6,153)	(7,032)
Free cash flow	3,976	3,221	3,545	6,587	5,719	3,226	8,231	9,399
Increase in cash and cash equivalents	(875)	238	264	460	(620)	(2,302)	1,519	1,668
Cash at the beginning of the period	3,391	2,749	2,899	3,193	3,662	3,030	728	2,247
Cash at the end of the period	2,749	2,899	3,193	3,662	3,030	728	2,247	3,915

Source: Company, Kotak Institutional Equities estimates

**We bake in 12-13% growth in revenues for FY2026-28E**
**Exhibit 38: Consolidated income statement for ICRA, March fiscal year-ends, 2021-28E (Rs mn)**

	2021	2022	2023	2024	2025	2026E	2027E	2028E
<b>Growth rates (%)</b>								
Revenue from operations	(6)	14	18	11	12	17	25	12
Investment income	0	(6)	18	48	3	(6)	(7)	8
Total income	(7)	12	18	15	10	14	21	11
Operating expenses	(2)	(0)	17	18	6	14	27	10
Employee expense	6	4	16	16	9	14	26	12
PBT before exceptional items	(15)	36	19	10	17	13	13	13
PAT	(15)	37	20	11	12	15	13	13
EBIT	(17)	58	18	2	19	21	20	14
<b>Key ratios</b>								
Cost-income (%)	77	68	67	72	69	67	68	68
EBITDA margin (%)	27	35	35	33	36	37	37	37
EBIT margin (%)	24	33	33	30	32	34	32	33
Net profit margin (%)	24	30	30	29	30	30	28	28
Investment yield (%)	5.9	5.3	5.6	7.3	7.1	7.0	7.0	7.0
ROE (%)	11	14	15	16	17	18	19	20
Dividend payout ratio (%)	32	24	92	63	34	65	65	65
<b>P&amp;L</b>								
Revenue from operations	3,011	3,428	4,032	4,461	4,980	5,807	7,252	8,106
Ratings	1,878	2,025	2,300	2,576	2,946	3,370	3,856	4,412
Consulting services	92	62	57	164	187	437	1,232	1,355
Knowledge services	909	1,177	1,501	1,546	1,662	1,795	1,939	2,094
Market services	145	171	183	180	198	214	236	255
Operating expenses	(2,199)	(2,222)	(2,603)	(2,974)	(3,203)	(3,639)	(4,596)	(5,145)
Employee expense	(1,717)	(1,792)	(2,076)	(2,404)	(2,611)	(2,966)	(3,735)	(4,180)
Professional fees	(135)	(103)	(100)	(181)	(164)	(184)	(208)	(235)
Other expenses	(347)	(327)	(428)	(389)	(427)	(489)	(653)	(730)
EBITDA	811	1,206	1,429	1,488	1,778	2,168	2,657	2,961
Depreciation and amortisation	(99)	(78)	(98)	(135)	(164)	(213)	(320)	(288)
EBIT	712	1,128	1,331	1,353	1,614	1,955	2,337	2,673
Other income	428	409	496	750	774	730	682	733
Finance costs	(21)	(16)	(14)	(104)	(48)	(48)	(48)	(48)
<b>Exceptional</b>								
Profit before tax	1,120	1,521	1,812	1,999	2,340	2,636	2,972	3,358
Tax	(293)	(386)	(445)	(476)	(628)	(672)	(758)	(856)
PAT	827	1,135	1,367	1,522	1,712	1,964	2,214	2,501
EPS (Rs)	86	118	142	158	177	204	229	259
Number of shares (# mn)	9.7	9.7	9.7	9.7	9.7	9.7	9.7	9.7

Source: Company, Kotak Institutional Equities estimates

**Expect healthy RoE in the medium term**
**Exhibit 39: Consolidated balance sheet for ICRA, March fiscal year-ends, 2021-28E (Rs mn)**

	2021	2022	2023	2024	2025	2026E	2027E	2028E
<b>Balance sheet</b>								
Share capital	97	97	97	97	97	97	97	97
Reserves and surplus	7,481	8,340	9,406	9,668	10,436	11,123	11,898	12,774
Shareholder's fund	7,610	8,477	9,549	9,810	10,576	11,220	11,995	12,870
Lease liabilities	170	140	130	109	120	129	140	151
Trade payables	78	92	84	75	91	98	106	115
Provisions	293	365	423	515	61	64	67	70
Other liabilities	809	710	822	1,370	2,094	2,198	2,308	2,424
<b>Total liabilities</b>	<b>1,350</b>	<b>1,308</b>	<b>1,459</b>	<b>2,068</b>	<b>2,365</b>	<b>2,490</b>	<b>2,621</b>	<b>2,760</b>
Investment	3,570	4,538	6,885	8,134	7,728	6,956	7,650	8,414
Cash and bank balances	3,994	3,101	2,415	1,555	2,815	1,740	1,692	1,659
Trade receivables	475	265	380	530	476	523	576	633
Fixed assets	475	394	399	405	404	408	412	417
Goodwill on consolidation	12	12	12	302	302	1,568	1,568	1,568
Intangible assets	47	66	73	214	225	1,514	1,665	1,832
Other assets	386	1,409	843	738	992	1,041	1,093	1,148
<b>Net assets</b>	<b>8,960</b>	<b>9,785</b>	<b>11,008</b>	<b>11,878</b>	<b>12,942</b>	<b>13,710</b>	<b>14,616</b>	<b>15,630</b>
<b>Key metrics/ratios</b>								
Cash and cash equivalents	3,994	3,101	2,415	1,555	2,815	1,740	1,692	1,659
Gross borrowings	—	—	—	—	—	—	—	—
Net cash and cash equivalents	3,994	3,101	2,415	1,555	2,815	1,740	1,692	1,659
Receivable days	56	30	37	46	37	35	32	30
RoE (%)	11	14	15	16	17	18	19	20
RoIC (%)	10	21	32	37	35	29	30	34

Source: Company, Kotak Institutional Equities estimates

**Operating profits to cash flow conversion has remained healthy**
**Exhibit 40: Consolidated cash flow statement, March fiscal year-ends, 2021-28E (Rs mn)**

	2021	2022	2023	2024	2025	2026E	2027E	2028E
<b>Cash flow statement</b>								
PBT	1,120	1,521	1,812	1,999	2,340	2,636	2,972	3,358
Depreciation and amortisation expense	99	78	98	135	164	213	320	288
Other income, net	(359)	(385)	(421)	(646)	(726)	(682)	(634)	(685)
Working capital changes								
(Increase)/ Decrease in trade receivables	89	163	(165)	(150)	54	(48)	(52)	(58)
(Increase)/ Decrease in other assets	115	5	144	105	(254)	(50)	(52)	(55)
Increase/ (Decrease) in trade payables	(77)	14	(9)	(9)	16	7	8	8
Increase/ (Decrease) in other liabilities	290	331	(185)	640	269	108	113	119
Cash taxes paid	(301)	(415)	(476)	(508)	(552)	(672)	(758)	(856)
Cash flow from operations	764	967	993	1,070	1,449	1,513	1,916	2,119
(Purchase)/sale of fixed assets	(23)	(52)	(89)	(68)	(124)	(2,763)	(465)	(447)
(Purchase)/sale of investments	(783)	(896)	(938)	251	-	772	(694)	(764)
Interest income	485	229	258	245	-	730	682	733
Cash flow from investing	(321)	(719)	(769)	428	(124)	(1,261)	(477)	(478)
Dividends paid	(263)	(265)	(279)	(1,263)	-	(1,277)	(1,439)	(1,626)
Cash flow from financing	(320)	(313)	(321)	(1,367)	(1,031)	(1,325)	(1,487)	(1,674)
Free cash flow	692	881	873	967	1,287	(1,297)	1,403	1,624
Increase in cash and cash equivalents	122	(65)	(97)	(22)	249	(1,073)	(48)	(33)
Cash at the beginning of the period	162	284	219	122	100	349	(724)	(772)
Cash at the end of the period	284	219	122	100	349	(724)	(772)	(805)

Source: Company, Kotak Institutional Equities estimates

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**ADD.** We expect this stock to deliver 5-15% returns over the next 12 months.

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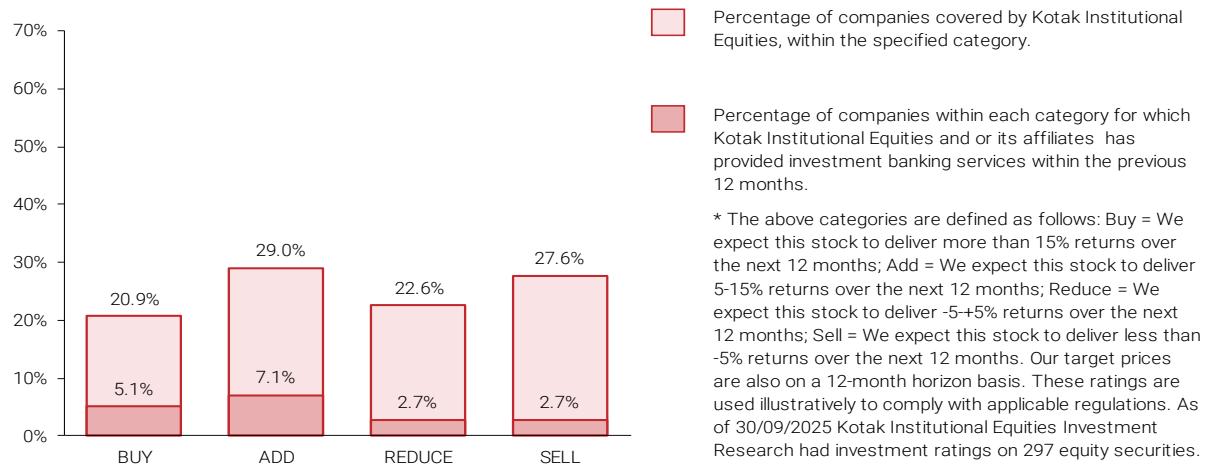
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