

April 29, 2022

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Dear Sirs,

**Sub.: Analyst Call Transcript**

Pursuant to Regulation 30 read with Part A of Schedule III and Regulation 46 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, enclosing herewith transcripts of the Analyst Call held on Monday, April 25, 2022. The transcripts are also available on Company's website at <https://www.crisil.com/en/home/investors/analyst-hub.html>.

Kindly take this communication on record.

Yours faithfully,

For CRISIL Limited



Minal Bhosale

Company Secretary

ACS 12999

**CRISIL Limited**

Corporate Identity Number: L67120MH1987PLC042363

# CRISIL Analyst Meet Conference Call

April 25, 2022

Management: **Ms. Amish Mehta**  
Managing Director & Chief Executive Officer – CRISIL Limited

**Mr. Sanjay Chakravarti**  
Chief Financial Officer & President – CRISIL Limited

**Mr. Gurpreet Chhatwal**  
Managing Director – CRISIL Ratings Limited

**Mr. Andre Cronje**  
President and Head International Business – CRISIL Limited

**Mr. Ashish Vora**  
President and Business Head, CRISIL India Research, Infrastructure  
Advisory & BIRS - CRISIL Limited

**Ms. Priti Arora**  
Business Head – CRISIL Global Analytical Centre &  
Chief Strategy Officer – CRISIL Limited

**Moderator:** Good afternoon, everyone, and a warm welcome to the CRISIL Analyst Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '\*' then "0" on your touchtone phone. Please note that this conference call is being recorded.

Before we start, as a standard disclaimer from CRISIL, we would like to state that certain forward-looking statements during our interaction today are based on our current understanding of the Company profile and market conditions. These are subject to change based on changing policies of the Company and macro environment. The Company does not undertake to update the forward-looking statements or other information contained in the presentation whether as a result of new information, future events or otherwise. As a policy, Company refrains from giving specific quantitative guidance on its future performed. Further, in the interest of fair disclosures to investors, operational details relating to specific business segments, customer contracts will not be possible to be disclosed.

Let me now handover the call to Ms. Priti Arora – Business Head, CRISIL Global Analytical Center and Chief Strategy Officer, CRISIL Limited to commence the proceedings. Thank you, and over to you.

**Priti Arora:** Thank you, Faizan. Good afternoon, everyone, and a very warm welcome to all present who have joined in virtually for the CRISIL Analyst Conference Call. Hope all of you are keeping well.

With a strong focus on growth and sustainability, amidst changing and volatile environment in 2021, CRISIL converted uncertainty to possibility and caution to hope. We continued with our strong leading position in the ratings and research business in India. We also unlocked possibilities through our innovative solutioning by extending risk transformation and regulatory offerings for our global clients. Through our ESG research, data and insight, we provided actionable intelligence to our clients, and contributed to sustainable progress. Using state-of-the-art technology, we launched new digital solutions helping clients in strategic decision making in performance monitoring and in managing risk. 2021 was yet another year where we strongly led with people-first approach by promoting gender inclusion, enhancing skills for our people, and nurturing our talent towards being future-ready. Being purpose-led helped us deliver strong business results. We believe our work in 2021 will continue to drive impact and innovation, create value, and help build sustainability for years to come. You will shortly hear from my colleagues and CRISIL leadership team towards this.

Let me start with introducing the panelists for the CRISIL Analyst Meet today:

Amish Mehta – Managing Director and CEO, CRISIL Limited., Sanjay Chakravarti – President and CFO, CRISIL, Gurpreet Chatwal – Managing Director, CRISIL Ratings Limited, Andre Cronje – President and Head of International Business, CRISIL, Ashish Vora – President and Business Head, CRISIL India Research Infrastructure Advisory, BIRS CRISIL.

During the course of today's discussion, we will be referring to the analyst deck that got uploaded today morning on the exchange and our website. Let me start with beginning the proceedings. I'd like to call upon Amish Mehta to present to you CRISIL's 2021 journey of creating possibilities by envisioning the future. Over to you, Amish.

**Amish Mehta:**

Thank you, Priti. Good evening, everyone, and a very warm welcome to each one of you. I hope you and your family are well and staying safe, and I hope good health to everyone. It is my pleasure to address you today after taking over as the Managing Director and CEO in October 2021. I would like to start by acknowledging Ashu, my predecessor with her many contributions to CRISIL during her tenure and the good work that we are continuing to see results, as we launch ourselves in 2022. I'm glad to share that during 2021 and the first quarter of 2022, CRISIL's businesses proved to be resilient, and we remain focused on delivering value to all our stakeholders. I'm proud to inform that each CRISILite took on the challenge and ensured that we continued to grow and innovate.

Let me start by looking at Slide #4. CRISIL is a leading agile innovative and global analytics company driven by its mission of making market function better. It has a very strong track record of double-digit revenue growth over the past 10 years, healthy EPS growth, robust culture of analytical excellence and innovation, and a global footprint. More than 4,200 CRISILites across 11 countries are constantly working to ensure that we can empower our clients to take decisions with conviction.

As I look at the next slide, which is slide #6, just to set the macroeconomics context, India's GDP in real terms is expected to grow 7.8% in the current fiscal 2023, but we believe the risks are now tilted to the downside. Specifically, the risks now are about geopolitics, crude oil, and interest rate hikes, especially in the U.S. and COVID-19 also remains monitorable. The upside risk to inflation comes from persistently high crude oil prices and record high metal prices. We expect consumer prices to rise this fiscal as producers will pass on higher costs. The geopolitical situation has changed the outlook for global growth with Eurozone expected to be hit the hardest. International commodity markets have turned volatile and financial conditions have

tightened owing to the risk of sentiment. S&P forecasts global GDP for the calendar year 2022 at 3.6%.

As I move to Slide #7, given this context, we believe that the following will be the key trends in 2022. We expect economic growth to continue to moderate given the geopolitical uncertainty and another key monitorable is the CAPEX cycle revival. Our GDP forecast hinges on government spending to build infrastructure and triggering the long delayed private investment cycle. The pandemic and the geopolitical situation will lead global corporations to reconfigure their supply chain for business continuity. The current geopolitical situation continues to impact inflation, rising interest rates in the developed economy, introducing additional volatility and impacting investor appetite in global market. We continue to see significant changes in business models led by digital transformation, adoption of artificial intelligence and machine learning, and sharper focus on addressing credit and non-financial risk by leveraging technology and domain expertise. We are seeing significant transformation in automation and digitization for our clients and ourselves to drive better customer experience in infrastructure, process automation, and information security. The pandemic has made a compelling case for corporates, lenders, investors, and policymakers around the world to embrace sustainability in decision-making. We expect a continued increase in the adoption of sustainable business practices.

Let me move to Slide #9. With that macro environment, we delivered a strong performance amid the disrupted economic environment and pandemic. This was possible thanks to our differentiated positioning, global talent pool and portfolio of IP-led services. While our CFO, Sanjay, will give you details on the financials, I am happy to inform that we delivered double-digit revenue growth and robust margins. Growth during the year 2021 and in the first quarter of 2022 was led by strong performance across our businesses as we strengthened our position as a leading provider of ratings, research, benchmark, data, and analytics in the market we operate in. We unlocked new opportunities by working closely with clients and providing them with innovative solutions. We saw good traction for our core offerings and developed new solutions in emerging growth areas such as sustainability and risk transformation. The rising demand for skilled talent in niche areas has led to high people cost inflation. Given the focus on digital transformation and talent, we continue to make accelerated investments in both talent and technology to be competitive and future ready.

Let me move to Slide #10 and talk a little bit about our customer-centric approach. Our focus on customer-centric innovation and solutions remains steadfast, which is why we continue to launch best-in-class analytics and innovative solutions addressing the niche needs of our clients. This focus on client centricity bore fruit. Our net promoter score, which is a client satisfaction score given by existing clients rose, and we also

on-boarded many new clients. In ratings, we assigned new ratings to stressed assets and structured finance products. We launched new products in credit risk pricing, regulatory reporting, industry reports, and climate related benchmarks. We delivered risk transformation project for global banks and financial institutions and supported clients in meeting their IBOR, FRTB, and CCAR mandates, which are largely driven by regulatory requirements.

Let me move to Slide #11 and talk a little bit around the talent and technology piece, which I mentioned a few minutes back. So, in our effort to continue our people-first strategy, we launched many initiatives to further this approach. Our global talent pool is a key enabler of growth and helps us deliver stakeholder value. We continue to make investments in our talent pool through our skilling, developing leadership programs, developing the leadership pipeline and keeping pace with market practices as we prepare ourselves for the future of work. To continue providing our employees with the culture of care and shared values, we launched our diversity, equity, and inclusion statement. Our focus on our talent continues to be relentless, and we continue to invest in our talent. Along with talent, technology is another key enabler, and we are making significant investment in technology to accelerate our growth and enhance our digital quotient over the course of this year and going forward.

As I look at Slide #12 and our commitment to sustainability, this is an important focus area for us. We have opted sustainability as a strategic approach with an aim to minimize our carbon footprint and protect the ecosphere of the communities we work with. We also strive to provide a comprehensive and best-in-class feat of sustainable offerings across our businesses, including evaluations, scores, analytics, and services along with thought leadership through flagship events and publication.

A list of the awards that we have won is on Slide #13. We continue to be certified as a Great Place to Work for the second year in a row. Some of our products like this Scenario Expansion Manager was recognized internationally for modelling innovation. We received multiple recognitions for diversity and our CSR efforts are recognized as CRISIL Foundation won the CSR Foundation of the Year Award.

I would like to summarize by saying that we are sitting on a good platform. We've had a very good year 2021. Our start for 2022 first quarter has been robust, and with the strategy that we've laid out for ourselves, with talent and the technology as the key enabler, I think we are on a journey of driving growth and profitability. With those words, let me handover to Sanjay to walk you through the financials. Sanjay, over to you.

**Sanjay Chakravarti:** Thank you Amish, and good evening, everyone. I am on Slide #15, and as you can see there are two sets of graphs there. One is the Q1 2022 as compared to the last year's first quarter and the other one is the full year 2021 compared to last year 2020.

Let me start with 2021. As Amish said, we had a good year. It showcased the resilience, the business model, the talent, and the technology that we've been able to use to drive the business results and drive the business attitude. We've seen healthy growth across all three segments in the year 2021. Growth essentially led by our research segment, in which, growth has been driven by our global businesses. It is my pleasure also to let all of you know that Greenwich, which was an acquisition that we made in the first quarter of 2020. Greenwich, for the full year of 2021, has turned profitable. Something that we were clear and determined to achieve and we needed to do that.

On the India research side, we've also seen good growth, which has been on the back of heightened capital market activity and ratings too, as you would note in the later slides, has also shown robust growth.

As far as profitability is concerned for the year 2021, the robust revenue performance has driven our profitability growth while at the same time, we've continued to keep a close eye on operating leverage and cost during the course of the year because 2021, as you all would know, also had certain uncertainties on the pandemic side. That notwithstanding, our revenue performance has driven profitability growth with pretty healthy flow-through that has happened on account of the revenue that we've got over last year when you compare it with the delta profit that we've had over the last year.

The one point that I would want to point out to all of you, the PAT (Profit After Tax) number that you see of Rs. 465.8 crore against Rs. 354.7 crore includes post tax profit from the sale of a non-core real estate asset.

When I move to the first quarter of 2022, the performance traction has continued. We have, once again, seen growth across all three segments with Research segment delivering growth and leading that growth traction. I would want to point out here, though that growth in the Research segment, especially on the global side does have a base effect because we had an especially weak quarter 1 last year on the global benchmarking business. However, that has turned around and we have seen growth getting very well delivered across all our three segments, once again lead by our Research segment. When we look at profitability, again profitability with the profit achievement that we've got in our global businesses, we've been able to drive growth of profit driven by revenue and by operating leverage into all the three segments that we have.

It would be pertinent to point out here that in the first quarter of last year for the Greenwich business, there was a loss. This year's first quarter has been profitable. So, that also has driven the kind of growth that you've seen in profits. Again, you will note that the revenue growth that has come through in the first quarter has also driven profitability growth, once again, giving you a fair idea that we continue to have cast a very close eye on operating leverage and cost at the same time when we want to drive revenues in all our businesses.

Before I close the synopsis of the first quarter of this year and the last year, I would want to point out that as Amish pointed out, two of our most important pillars of business growth and business traction will be talent and technology. We will continue to invest in talent and technology, both in the near term and in the mid-term and long term, and you will see those numbers coming in both in the near term and in the mid-term, as also the revenue that these investments will drive.

With that, if there are any questions, we will take them in the Q&A session. I would now like to handover to Gurpreet for a briefing on the Rating segment.

**Gurpreet Chhatwal:** Thanks Sanjay, and good evening, everybody. I'll take you through the segmental performance for ratings for Q1 as well as for the last year, which is 2021. As you are aware that the revenue pools for the domestic ratings agencies in India is mainly determined by the growth of the corporate debt market, as well as the credit growth for the bank loan revenues.

In the corporate bond market, we saw a decline of about 23% in the corporate bond issuances in CY21 and also Q1 in 2022, we saw a decline of about 22%. This is largely on the back of rising and volatile interest rates that was prevalent for most of the last year and YTD. Rising interest rates usually don't augur very well for the bond market vis-à-vis bank loans because bond markets price that instantaneously and bank loans usually go for the lag. Also, from the bond market perspective, the growth outlook for NBFC's, which is usually one of the larger issuer segments in the bond market, was also muted during the last year, which is 2021. So, basically, on an overall basis, we witnessed that the number of issuers that tap the corporate bond market in 2021 actually dipped by about 26% to 340, and the highest which we saw in the last 4-5 years was almost 600+.

Now, let me move to the next segment, which is also a key determinant up for the rating revenues for the industry, which is credit growth by the banking sector. While in the credit growth was muted for most of 2021 and the wholesale credit growth actually came to sub 3% for most of 2021. You can actually see it from the graph. We observed an uptick from December 2021 onwards. We observed actually an uptick in



the bank loan ratings for existing, as well as new customers in Q1, and that's the segment, which we are seeing a positive traction going forward. We understand while some of these bank loan ratings are migrations of the large corporate bond issuers from the bond market to the loan market, but we're also seeing an uptick in lending in the growing infrastructure segment, as well as the increase in working capital requirements with the sharp economic rebound we saw in the second half of last year, as well as high commodity prices. CRISIL Ratings actually estimates an improved banking credit sector growth to be about 11-12% in FY2023 emanating from all segments, including large cap.

If we move to the next slide, this slide talks about one of CRISIL Ratings' biggest strength and focus area that is analytical rigor and quality of our rating portfolio. The table shows here that the one-year investment grade default rate averaged over 10 years, this is something, which SEBI mandates for all rating agencies to publish this data. This is for FY2021 and the FY2022 data will be available early May. You would see that we have consistently maintained best-in-class default rates across rating categories for our rating portfolio, much better than the other rating agencies across rating categories. We believe that this is one of the key statistics that lenders and investors look very closely at when they evaluate rating agency performance, as well as determine the rating agency of their choice. We have been working and are working continuously to enhance our early warning framework that helps us in targeted surveillance of a portfolio and maintain high rating quality.

We move to the next slide. Let me take you through the segmental 2021 and Q1 2022 financial performance. We saw revenue and profitability growth in the ratings segment in both these periods emanating from issuer, investor, and banker preference for CRISIL Ratings for their borrowing programs. We continued our focus on client engagement initiatives and strengthened our leading position in share of voice in the Indian media amongst CRA's based on our thought leadership publications and webinars. Global Analytical Centre sustained its analytical, surveillance support across all practices and continued to drive the data and technology transformation agenda at S&P Global Rating services.

Thank you, and I would like to pass on to my colleague, Andre.

**Andre Cronje:**

Thanks, Gurpreet. On the revenue side for wholesale and CIBs, markets have continued to have good revenue growth. It sort of balances itself out. Capital markets grew with volatility and uncertainty in the market and enhanced trading revenue.

On the banking side, it was more (Inaudible) 22.22 and as a result interest rate environment and also as a result of the uncertainty in the market, and some of the

deals and M&A transactions that were planned were either delayed or postponed, but it seems as if revenue towards the end of the year started to recover to pre-pandemic levels. Demand for benchmarking and competitive intelligence remained high obviously in an environment where banks are continuously searching for growth. Capital and balance sheet recovery continues and in a sense the balance sheets of the banks are in fairly good shape. ROE is improving and the demand for capabilities that we have in GR&RS especially in credit risk and model risk and RWA reduction was in high demand.

On the regulations side, it's still a very heavy regulatory environment. Evolving regulations, ESG, and incorporation of financial reporting has resulted in demand for ESG services, which is one of the key strategic pillars that we're developing at the moment in our GR&RS business. Enhanced reporting requirements for derivative credit continued and clear derivatives, and then harmonization of regulations between the U.S., Europe, and APAC continues.

Key developments Basel-IV, CRD, ICAAP focus on increased capital requirements. Our credit and model risk practices experienced continued demand for services as a result of it. Climate risk models and quantification of its potential capital impact present new revenue streams for GR&RS.

For the Indian market, assets under management of the domestic mutual fund industry surged further in 2021. This was in backdrop of better market sentiments, digitization, and accelerated financialization of savings. The mutual fund assets under management have seen steady rise over the past few years. Investments in newer financial instruments also continue to pick especially in the alternative space where commitments rose sharply during 2021 leading to a need for performance benchmarking. In addition, we saw healthy fund-raising activity with many corporates and startups accessing the capital market. On the financial sector, credit growth is expected to pick up with corporate credit to shift to a higher growth trajectory. Asset quality is expected to improve, which augurs well for the overall financial sector.

Our focus also continues to be on sustainability and green lending, as clients demand data, research, and independent opinion on sustainability. There is also material opportunity emerging around ESG capability building within some organizations.

As Sanjay has mentioned for Research, we did fairly good recovery throughout 2021 and it's repeated in Q1 2022, segment profitability up, good margin improvement from Q1 2021 to Q1 2022, and that margin is reflective for the year 2020-21, which indicates a good recovery, especially in the benchmarking business where we've had

the acquisition of Greenwich, which initially was a drag, but made good recovery throughout the year and towards the end of the year.

I'll now hand over to Ashish.

**Ashish Vora:** Thanks, Andre. Good afternoon, everyone. Just as a point of reference, I'm on Slide #26. I'm just going to talk through some of the trends that we're seeing relevant to the advisory business.

The two key themes really being – one is focus on infrastructure and the second is around technology adoption, which is creating need for advisory services, analytics, and digital solutions. Specifically, on the infrastructure advisory side, what we're really seeing is that there is higher budgeted infra-CAPEX being proposed year-on-year, and the areas of focus are roads, ports, logistics, and energy. There is a higher allocation under the PLI scheme to give a fillip to the renewables and the sustainability themes, and there's also diversification in long-term funding sources for infrastructure investments. The diversification is really coming in the form of green bonds, in the form of foreign investments from a long-term perspective, PPD model, asset monetization in the setting up of InVITs. In addition to all of this, we're also seeing an increasing emphasis on advisory solutions by clients in India around emerging new solutions to help mitigate climate change.

On the Business Intelligence and Risk Solutions side of the business, we're really seeing a significant demand for integrated credit and risk solutions, and when we say integrated, it's really data, analytics, and customizable workflows to embed themselves into a business process. There's the focus on digitizing client's internal processes to enhance user experience and to get productivity. We're seeing a lot of banks move towards that. Financial services firms are also accelerating their migration to the cloud with a preference for implementation like SAS based models.

Lastly, due to the constantly changing regulations, we're seeing a big demand for platforms related to compliance and regulatory reporting.

To move on to Slide #27. As you can see, quarter 1 on the income from operations, we grew about 10% year-on-year. For full year, we grew about 14% between 2021 versus 2020 and segmental profits have also grown significantly in the range of 50-60% depending on the periods that you are comparing.

The advisory segment saw good momentum with revenue growing at 10% and like I mentioned 14% during the quarter ended 2021.

The infrastructure business, specifically, won mandates from multilaterals and the private sector and expanded its overseas client footprint while the BIRS (Business Intelligence & Risk Solutions) business traction for its client risk and regulatory solutions, reporting solutions and deepened its wallet with existing and our international clients.

I'll walk you through the risk section after this. A lot of this has been covered in the earlier parts of the presentation by Amish and Sanjay, but just to sum it all up or summarize it, one of the risks that we're living with, given the dynamic environment, is the current geopolitical environment risk that we live in, which may have implications on the global trade, supply chains, and commodity prices and therefore an impact on overall economic development. The other risk that we see is that of rising people inflation and hence we have formulated implemental policies focused towards retention and development of skillsets of people. The third risk that we see is associated around currency movement where we do have a sizable amount of revenue coming from outside of India and hence this is a key monitorable for us.

To sum it up, it's really a lot about having a very robust internal mechanism to review risks and to be able to evaluate mitigating strategies at regular intervals so that you have complete control on the risk environment or complete control on the business environment that we operate in with this, this concludes our presentation, and I'm going to hand this off to the operator.

**Moderator:** Thank you, everyone. The first question is from the line of Rajesh Mehta from Yes Securities. Please go ahead.

**Rajesh Mehta:** The first question is on domestic rating. We've had two strong quarters in terms of revenue growth in domestic rating. So, fourth quarter last year, we grew by 16% on revenues. This year first quarter we grew by 13.5%. So, when you look at this growth in a very muted kind of lending market activity, it really implies significant market share gains for us on an incremental basis. So, if you can comment on the market share movement of CRISIL in the recent quarter, has it accentuated and is it in the BLR market and not in the bond market and what was the reasons?

**Gurpreet Chhatwal:** Yes, I think there have been market share gains for us, but that's a continuous process since the last 3 or 4 years. I think the movement upward started somewhere around after IL&FS default, which we didn't rate and subsequently a couple of other credit cliffs, which we didn't rate. So, I think that's how I would want to put it. I think the reason we put the slide on default rates, I think that usually many people glance over it, but that I think has been playing good in terms of the investors, lenders' mind, people have been conscious in terms of looking at rating agency's ratings and doing

that. So, that's what I would broadly give a prospective. So, yes, there has been a slowdown in the corporate bond segment and bank loans have recently started picking up, but yes, I think it's a movement over a period of time, not something, which has just happened in two quarters.

**Rajesh Mehta:** Okay, got it. So, the reason share gains would have come largely in BLR segment? Because you spoke about a lot of large corporates migrating to BLR side from the bond side.

**Gurpreet Chhatwal:** No, that's a trend. I just tried to give a perspective in terms of the reason why we see bond market declining and bank loans picking up. That doesn't necessarily mean in terms of how, on a quarter-on-quarter basis, we get our revenues. Revenues, for rating agencies if you understand, I'm sure you've been backing us for some time, has two components; surveillance revenues, which come for business we've contracted in the past usually a longer period of time. So, I think that is the continuous revenue, and that also builds up on quarter-on-quarter based on what happened 18 months back. I'm just giving you a product sense, and then you have new revenues, which are based on what bonds come to the market at that point in time and who is rating that. I think that's the larger perspective. That aspect I was trying to explain was the larger bond market because that everybody tracks, it's decline and the bank loan growing, but yes it has a broader correlation, if you were to look at for a year's perspective or a two years' perspective. Quarter-on-quarter could be different.

**Rajesh Mehta:** And how significant is stressed assets rating and securitization rating in terms of materiality in the overall domestic rating field.

**Gurpreet Chhatwal:** Okay, you asked for stressed and securitization. We don't put these numbers out. It's not very large, but we don't put exact percentage.

**Rajesh Mehta:** I had one question on GR&RS business. Just to understand the significant growth that you've delivered in the recent years better, so from our understanding perspective, how should we map this growth in terms of, what were the key underlying factors, what kind of spends were done, in which areas or was it the regulatory push that drove demand for these services that we offer, and also in terms of competition and our right to win, so where do we stand in terms of our key capabilities and our right to win in order to get this mandate in delivery?

**Amish Mehta:** I would say that first of all a couple of areas in GR&RS, so if you were to look at the strategic thrust and we call those out in terms of trends, where are the clients spending money globally? I think they are spending money on non-financial risk, on risk, on digital transformation, they are spending money on sustainability, so I think

there are a couple of themes, which are playing out very clearly and I think those are themes where they are looking for support on data, on research, on underpinning them, on intelligence. I think those are areas where we are seeing demand from our clients in addition to the normal areas that we would be working on and during the pandemic, of course, the need for services, support outside has continued traction. So, we are seeing ongoing requirement for that. In addition to that, there are themes, which are playing out, and those are ones, which we called out in my slide on trends. We clearly continue to see traction in the business. Of course, there will be some part of the business, which will always be muted in terms of growth, and there'll be other parts of the business where we will continue to see opportunity. I think all of you are aware in terms of the global research business, sell side versus buy side, I think those are two trends, which I'm sure all of you know. So, some parts of the business will see muted growth, some parts are seeing higher growth in terms of demand and of course there are segments out there where we are seeing more spends from clients, which means good for our business. These are some of the areas where you should expect traction and growth going forward.

**Rajesh Mehta:**

Okay, thank you. One last question on benchmarking analytics business. So, can you give some color in terms of shift in the momentum of business post Greenwich integration and turnaround, maybe in terms of the velocity of deal wine, deal size, maybe some qualitative comments on wallet share in existing large relationships and maybe even in terms of new client addition in terms of where we are or how are we improving on these parameters once we have seen the integration of Greenwich?

**Amish Mehta:**

Greenwich has been a part of our strategic journey, and it was more to drive benchmarking across the financial services spectrum. So, with Coalition, franchise that we have, we were strong on the on the CIB side whereas we wanted to drive momentum in terms of benchmarking across the financial services space. Also, Coalition is much more quantitative based on numbers whereas Greenwich provided us the opportunity to look at qualitative and also add predictive to the qualitative part. So, bring the best of quantitative and qualitative, it allowed us to expand into segments like investment management and community and commercial banks in addition to the CIBs that we had. So, that acquisition of Greenwich was a part of our planned strategy to expand in the global benchmarking space. Yes, it happened just before the pandemic and we did see same impact in 2020 on our financials, but as we integrated the two businesses together, as we have been able to leverage the value of the acquisition, clearly, we are able to go with a combined offering to our existing clients. We're able to also expand the customer base. We've got completely new set of clients on the Greenwich side, which allows us cross-sell on both sides of the spectrum, both qualitative and quantitative, so we could go to CIBs and position the larger offering and we can go to the non-CIBs, which is asset management companies

and the CCBs on some of our other offerings. So, we've been able to leverage the value out of that acquisition and which is where you see a strong recovery and momentum in 2021 where we have been able to get the value come back and the value of the offerings. I would say there is potential in this business, and as we bring the two together, as we bring the value of the insides together to our clients, as we bring the data and intelligence together, I think we should be able to build much more predictive capability into our analysis and intelligence, which should allow our clients to see value from the offering and allow us to expand our share of wallet from existing clients, as well as add new clients to the to the portfolio. So, overall, I would say it's been a good journey, we've seen a turnaround that is reflected in the numbers for 2021 post the acquisition that we did in 2020.

**Moderator:** Thank you. The next question is from the line of Kartik Saini from Myriad Asset Management. Please go ahead.

**Kartik Saini:** My question would be around your debt and talent. As you said that you have been investing heavily in this segment and as your margins, EBITDA margins have been around 26%, the average, if I see the last three years, but this quarter it was around 30%. I want to understand where you see these margins stabilizing in the long run, and also if I look at your fixed assets turnover, which I see has been declining. So, I just want to understand your course and how do you see the operating leverage playing out?

**Sanjay Chakravarti:** First things first, I don't think it will be correct to look at one quarter's numbers when you look at the margins that we've earned. It's always best to look at margins for the full year because there are cyclicalities to certain businesses as there are cyclicalities to the microenvironment that we operate in. So, when you look at our annual margins that we've been able to deliver over the last 3 to 4 years, yes, there has been margin expansion. We will continue to target growth in margins. As you know, we don't give forward guidance, but we are very clear in each of our business segments, we will continue to target margin growth, and at this stage, we do believe that every business segment and every business in those segments, have headroom to continue to deliver margin growth. As far as your second question is concerned, which is fixed asset turnover, I don't have the numbers right here in front of me, but the fixed asset turnover, if you look at it given the investments that we are making in our business and will continue to make, I think you will see some level of nonlinear change in that ratio, but ultimately if you were to draw a trend-line, you will find that our fixed asset turnover ratio, you will see that growing also.

- Kartik Saini:** My second question is that you've hired around 1,200 odd employees that you say are new-age and techno conscious so can you share what sort of colleges or universities you are targeting for this?
- Anupam Kaura:** For us these 1,200 people largely represent experienced talent that we've hired from the market with a combination skill set, in that that they have financial services domain and a combination of either quant skills or for that matter technology skills. Yes, some bit of trust has definitely happened in terms of hiring from campuses as well. So, for campuses, we visited a lot of MCA colleges. We've resorted to some unconventional sources of hiring as well. We curated the hire and train model as well and of course we've gone to some of the B-Schools and engineering colleges as well. But, overall, if you ask me of the 1,200, I will say only about 15% would have been fresh talent. The rest of it is very much lateral talent.
- Moderator:** Thank you. The next question is from the line of Chaitanya Shah from Silverlight Capital. Please go ahead.
- Chaitanya Shah:** So, I wanted to understand from the technology part. You are speaking about how technology is affecting your business and how you are investing in technology. So, just wanted to understand broadly the use of artificial intelligence or machine learning or new technologies like block-chain, do you see that as a threat or an advantage to your business model, and if you could give the reasons behind how you think about this?
- Amish Mehta:** I would say that we see that as an opportunity, not as a threat clearly in two ways. One is for the clients we serve. So, we are looking to help them on some of these areas, and also for our own business itself, each of these are an opportunity as we look at whether it is AIML or block-chain. We continue to evaluate all the emerging technologies, the relevance for us and for our clients and make sure and that's why I think we use the word future-ready because end of the day, any organization, which is working with clients and where technology is relevant, we'll have to start looking at that roadmap and see how it is relevant. I think the point, which I would also say that we keep looking at the mirror to see if there is any disruption, which will happen because of these technologies. So, to that level, it could be a threat, but I think that is something, which each organization has to continue to look at. So, that's how we look at it.
- Chaitanya Shah:** I stay in Mumbai and recently I've been seeing billboards of Prestige Estates claiming that they are DA1 developers rated by CRISIL. So, I just want to understand is this a new product that has been launched, and what is the potential of this particular business?



- Amish Mehta:** This is an existing product, which has been there. It's not a new product, it's been an existing product, which has been there for many years. I would say it's a part of our existing portfolio.
- Chaitanya Shah:** Also, one question I had on the ESG segment. I was reading the annual report of your parent, S&P Global and they said that ESG could be more than half a billion-dollar opportunity for them in a few years. So, I just want to understand, from CRISIL's point of view, what is your view on this and what is the potential of this business?
- Amish Mehta:** I would say that there are multiple opportunities one needs to think about and if you look at data itself, that's one part of the opportunity. Then, you have evaluations, you have assessments, you have capability, you have consulting. So, there are multiple threads, which could be on ESG, and depending on what capabilities you have and what areas you choose to operate in, I think the addressable market will get decided. So, I would say the market is large, it is evolving, it is growing, and I think it has enough for players like us to work on.
- Chaitanya Shah:** I just had one last question. In your presentation, you mentioned the credentials of your Company in the rating business. Is there a similar disclosure that you internally have in terms of the Research segment in terms of giving what would be the accuracy of the research that you provide, which would demonstrate the credentials of the company, do you have a disclosure like that that can be tracked by us?
- Amish Mehta:** I think it's a good question that you are asking because a lot of clients ask that question to me, to be very honest. They say, "Amish you put out forecast, have your done back-testing to see whether this is really good or bad and the reasons for that." This is a question, which I am sure my team gets asked in every client discussion we have. So, of course, we track our forecast and internally we will look at how good or bad, where have we gone right or wrong, what have we done, what assumptions have we made, to make sure that we are looking at it closely. The challenge here is nobody else puts out anything. So, it's very difficult to measure it very transparently with competitors. In case of ratings, as you know this is an ask, which comes from SEBI. All companies have to publish the data, it becomes easier to compare, so that's something to keep in perspective, but I would say internally the team does look at the forecast that we put out on the research site and also how are we doing.
- Moderator:** Thank you. The next question is from the line of Devam Modi from ARDEKO. Please go ahead.
- Devam Modi:** So, just wanted to get a sense of what is the rough revenue yield as a percentage of total debt rated, and if you could provide a flavor on how one can expect this yield to

change over a period of time and the level at which it is right now, would it be one of the lower levels or how would be across from a cyclical point?

**Gurpreet Chhatwal:** So, let me talk about the rack rates we have what we put at our website. So, basically for a corporate bond, the initial rating fee is about 10 basis point for the debt to be rated, and for bank loan rating is 4 basis points. I think that's the rack rate. The yields are lower on both sides. So, over a period of time, I think we've seen a little bit of movement on the upside over the last few years, but not by a large amount, but yes, the yields have improved, I would say this is over the last 3 to 4 years. Going forward, I won't be able to give guidance. These numbers don't change very substantially, so if you were to ask me does it yo-yo between 10 and 90, it doesn't. So, it remains at similar levels, maybe 5-10% upside or downside because it's not a very large based on customers, but please understand the fact that what gets issued in a quarter can have various flavors. You could get a new issuer coming in and he is the first time, so he pays higher, it could be an existing issuer who is under a fee cap who actually pays nothing. So, it's a composition of debt, which comes in that quarter, which can make a difference in the numbers, but usually you look at over a year period and average it out, I think that's usually comparable year-on-year number. So, I broadly answered this way. Hope that makes sense.

**Devam Modi:** So, just to probe it a little further, when we look at the industry level, we understand that the yield is very low, it is below even 1 basis point, sometimes below 0.5 basis point, and would that be partially justified by the fact that new bond raisings would be sort of at an all-time low plus the fact that a lot of this revenue in the last 2 to 3 years might majorly be dominated by surveillance and there would be lack of good paying customers bond raising, like a lot of bond raising might be high quality AAA for which it will be more predictable rates. Would that be the correct understanding of the industry and are you at a point wherein with credit raise or credit environment warming up, you should probably see a change in this structure, which has been processing for the last 2 to 3 years?

**Gurpreet Chhatwal:** So, let me argue differently. I get where you are coming from. What I talked about rack rates was IRF's. The surveillances are roughly about half of that. So, now let me rephrase it differently. So, there won't be issuers who issue almost 1 lakh crore debt in a year. So, there is a cap. So, whether the issue is 1 lakh or 110 or 90, the incremental does not given you anything. So, which is why that explains that basis points you are talking about. So, if you are looking at a forward-looking measure and how many new issuers come to a market, that's why you see a lot of, and I have talked about that too, how many new issuers come to the market will give you a sense that they will be proudly more yield accretive than the existing. So, if you have 10-20% or 30% growth in the bond market and the new issuers actually decline, you will

probably see those kinds of numbers. So, I think that's a larger perspective. It's complicated. Sorry, I can't make it more simple than this, but it's complicated. So, if you were to dig deep into who are the issuers coming and what kind of debt they are coming in, are they capped, are they not capped, it's difficult for us, if we were to draw this comparison for the rating agencies, we don't get answers, which match with their numbers, but the basis points which you are talking of, are cognizant of the that in India, some very large issuers dominate the bond market. So, if you were to take the top 10-15 out and then look at the numbers, I think that will probably give you a little bit more predictive, but I'll just leave it at that.

**Devam Modi:** Sure, and the rising EBIT margins that we see on the ratings front, would that be attributed, I mean, that would be a combination I'm sure of operating leverages especially, as well as probably some amount of pricing and probably debt investments and all, so how do we see that stabilizing or can we expect it to rise further from even current levels, which is already on the higher side? So, if you can just provide some flavor on the thought process there.

**Gurpreet Chhatwal:** Sorry, we don't give forward-looking guidance.

**Devam Modi:** I mean just the current EBIT margin, which has risen, what would be the primary factors behind it? Would it be just higher pricing because your EBIT margin growth is a little higher than your revenue growth, so would that be because of pricing, or would that also be because of operating leverage because of tech investments or things like that?

**Sanjay Chakravarti:** I think it's very clear that pricing pressure has not gone away from the business. Pricing pressure continues even though we continue to be the issuer preferred rating agency, but pricing pressure has not gone away. That's the nature of the market, that's the nature of the business. What we have been able to do is drive profitability partly through market share gains and definitely through operating leverage in the business.

**Devam Modi:** Sure, and if you could give a flavor of the volume growth in Q1 CY22 year-on-year, and if possible, volume growth direction with regards to new issuers?

**Amish Mehta:** We don't share volume data.

**Sanjay Chakravarti:** We don't give out that data, volume. There are two parts to it. Firstly, no one else gives it out, so it won't be correct for us to give it out on an estimation basis, and we don't give out that data on into the public domain.

**Devam Modi:** And finally, what would be the rough component of surveillance in our overall revenue, and also how do we account for the same in terms that do we account for surveillance in the quarter in which it is conducted, or do we smooth it out over the entire year?

**Sanjay Chakravarti:** Surveillance is always amortized over the period of surveillance and the initial rating fees is accounted for in the quarter in which the contract is done.

**Devam Modi:** And what would be the rough component of surveillance in the overall fee that we have?

**Sanjay Chakravarti:** Between surveillance and IRF, it will range between 50-50, it might change in a couple of years depending on how surveillance has moved and how IRF has.

**Devam Modi:** Sir, on the current CY21 revenue, 50% would roughly be surveillance, would that be the correct impression?

**Sanjay Chakravarti:** 2021 surveillance will be higher.

**Devam Modi:** It would be what 50-55% or what's the range if you can just mention within a 5% band?

**Sanjay Chakravarti:** It will upwards of 50%.

**Devam Modi:** And finally, just wanted to understand what are the key factors driving the margin improvement in research business and given that research business obviously is coming off a period wherein margins have dipped, what kind of growth and further margin improvement can one factor over here in the coming 2-3 years?

**Sanjay Chakravarti:** There are three key businesses. One is domestic research, then there is benchmarking business, and GR&RS business. Like I said, a part of the growth has come out of the fact that the global research segment has turned around because, as Amish had earlier mentioned in a question, that we have been able to look at strategically moving in non-financial risk and risk services. Second part, the acquisition of Greenwich has helped us in driving margins and driving revenue, which has seen decent flow-through and finally in 2021, given the buoyancy that we saw in the equity market that has also driven our domestic research business through certain products, which have higher profit margins than other products in domestic research.

**Devam Modi:** Sure, just wanted to get a sense that there has been a strong margin improvement, which is ongoing and for a long period of time, the margins have actually dipped much lower. So, can we expect this improvement to continue and what is driving this improvement currently? Is it just more business or is there also better usage of

employees because employee cost would have dipped down over here as a percentage of total revenues?

**Sanjay Chakravarti:** All the three factors are responsible. We have always looked at our cost very closely, whether it's in a bull period or in a bear period. So, that continues. Second of all, our strategic pivot onto the risk side has helped, and finally when you look at it, the way we have invested, and that investment is going to continue. We will, like I said right at the beginning, when I was going through the financials slide, we believe that we have the ability to grow our margins in all our businesses and we have the headroom to do it and we will continue to target that.

**Amish Mehta:** I am just going to add to what Sanjay said. First of all, please look at numbers on an annual basis, don't look at a quarter, because like Sanjay mentioned, there is seasonality in different businesses. So, quarter numbers might not be the best representation. It is always good to look at the annual numbers as a trend. Secondly, I would say that our endeavor and I mentioned that is to drive growth, drive margin. I think we would always look for continuous improvement across all our businesses and see how we can get better value, better leverage, operating leverage, and continuously drive margins across our businesses. Third, I would say is that we will continue to invest in talent and technology, as we need to be future-ready, as we need to be competitive, as we look at driving initiatives in areas that we get into from a strategic lens. So, a longer-term trajectory will always be good to look at and consider.

**Moderator:** Thank you. The next question is from the line of Kunal Thanvi from Banyan Tree Advisors. Please go ahead.

**Kunal Thanvi:** I had two set of questions. One was on the securitization business. So, you said that securitization market as such in India has been quite volatile after hitting the peak in 2018, it has gone nowhere. Any thoughts on the market from a longer-term perspective because if you look at the global market that is quite a big market in countries like U.S., China, etc. So, how do we look at that market from India perspective from next 3-5 years perspective? Second was on the BLR business because if you see like in last so many years, there had been a lot of competition and the size of the pie has been decreasing because the banks credit itself not growing at a healthy rate. Now, what's the spends on the pricing on the BLR because what we have also seen is a lot of BLRs have dropped off as well over the last 5 years. Any sense on the competition and pricing on the BLR side because we are seeing some uptake in terms of the credit growth itself? These are the two questions that I have.

**Gurpreet Chhatwal:** So, I will give my best shot. On securitization, I agree with you. I think it's a segment of the rating business, which IB should be a larger component than what it is. It's have

been volatile I agree with you. Number one, I think the investors have to be comfortable. For securitization, you have banks as one of the larger investors, which is largely through DA and then there is mutual funds, insurance a little bit on that. So, we have a pretty simple securitization market, complicated instruments are and not usually liked by the market and also the regulator. So, it's a business where a good amount of NBFC's actually used to sell their assets through this. Two things have changed. One, banks have been directly picking up some of those portfolios through direct assignments, but that's part of the securitization business, and the other is that because of the pandemic and the performance and the concern about the performance of the securitized assets because it's finally owned by a trust, not by a bank or NBFC, so what kind of regulatory leverage that was provided during that time will be available to them or not. So, that for two years played on the market. With hopefully, no pandemic, no waves, anyway I think securitized assets performed decently well in the second and third waves. The first wave was sudden. So, the way I see, I think this market will expand as we go down the road. For NBFC, it's a good source of new incremental revenues backed by strong assets. The other area, which has been keeping us high on is the CDO side. It's not very well aboard, but what we have seen is the recent change in the securitizations guidelines where they are allowing the single loan sell downs to happen. It used to be a very buoyant market almost a decade back. It hasn't really picked up now, but from a regulatory perspective, they have enabled that. So, I also believe and hope, both put together, I think that will also pick up in the coming days when the large corporate lending picks up. The only restriction between then and now is that you have to hold the assets for six months before being securitized. Previously, they used to do it the next day. So, we believe that will also pick up. So, I think these are area, but having said that, over the next 3-5 years, I think the market will grow, but it won't still be a fraction of the total bond market. So, if that helps, but it's a pretty strong sustainable revenue source for NBFC. I think as they grow, this will also grow.

**Kunal Thanvi:** And in terms of regulatory side, if you look at global markets, retails assets are also allowed to securitize. Any sense on where we are in terms of the regulatory evolution in India?

**Amish Mehta:** So, the securitization in India is largely retail. So, you have almost 99.0% is what retail assets will get securitized. The CDO market has not picked up in India, that would be the wholesale. Once in a while one instrument happens and that also for a particular reason, but otherwise it's predominantly or almost all of it is retail has a securitization. It could be in the form of a direct assignment with the bank, or it could be in the form of PTC. So, that will be largely either banks or corporate treasuries or mutual funds. The other question was on the BLR business. I think what we saw on the BLR side, the reduction in the number of clients, I am talking about the industry level, practically

almost half over the last 3-4 years and that's largely because most of the banks, the minimum requirement which the bank initially used to have was about Rs. 10 crores, now they have jacked up to about different banks 30-50 crore. I think that is an area, which has reduced the number of people because the smaller clients actually didn't require ratings as per the new bank's internal credit policies. My sense is that almost all that's played out. So, current universe, which we rate is mostly the larger size BLR's. That, I believe, at least our sense is that that will remain, and that's the current market size. What we have seen on the other side is that, yes, as we grow, as our economy is at 6.5% real, I think it is favoring credit growth in the country and also for the larger segment. So, I think this business will grow on the BLR side. Competition, as Sanjay mentioned it, we are a 7-rating agency market, so competition remains intact with that. So, that puts the pressure on pricing.

**Kunal Thanvi:** Thank you so much.

**Moderator:** Thank you. The next question is from the line of Gaurang Ved from Ved Capital Advisors. Please go ahead.

**Gaurang Ved:** Thanks for the opportunity. My first question pertains to a rating segment. My question is post-bankruptcy reforms, which were implemented in 2016 and as per the experience of other country's bond market has picked up significantly around 4-5 years post implementation of IBC, and here we are in India, still as per your presentation, that corporate bond issuance is just 3% of GDP. So, can you please throw some color, are we at some inflection point for development of bond market or still it is some time away and where do you see recovery rate and timeline for resolution of NPA's as going forward in medium term? Thank you very much.

**Gurpreet Chatwal:** Thanks, Gaurang. I think you picked up from my previous presentation. So, I am also refreshing my memory. You are right. I think we've seen some of the markets significant uptick after about 5 years. I think it's a great reform. I am not trying to criticize any of the reform. I think it's a pretty strong good reform for the country. It's helping us in many manners. I think if you see all the banks today and look at the large corporate portfolio, it's as clean as it gets. I think that's one of the benefits, which IBC has given. One thing we'll have to also note is that the last two years have been a little bit of an issue for not only India, but globally because of the whole pandemic and the bit of risk aversion in the lending markets, which came. So, I think we have been pushed back by a couple of years because of that and as you are a participant in the larger market development of the financial market in the country and so are we, so we're hoping that that aspect of IBC and helping grow the bond market will come in, but finally let's look at it differently. IBC's recovery rates I don't have as of now. I think what got published is for the resolved assets. So, we have a couple of publications. I

don't have them with me now, but we will get that sent in, we sometime back published it. I think because of the pandemic and the delay in some of the resolution of the mid-size and smaller size accounts, I think that's currently underway. So, our sense is that that recovery rate, which gives confidence to the stakeholders, may be a year or a couple of years away because finally with a much higher recovery rate, if you are a bond market player such as an insurance company, you are not a lender to the company, you're not looking at the security or anything, you are looking at what if it defaults or what if it gets lapsed, are you that comfortable when going with the mutual funds as well as the insurance companies as well as the other foreign bond players, I think we are a couple of years away, but we are progressing in the right direction. We have seen some very large assets resolved very well. If you see the large corporate portfolio of banks, it's probably very-very strong today. We need to keep at it and as the country push towards resolving mid-size and smaller size assets. Once that comfort starts building in, each of the bank, each of the components of the market will start changing the loss giving default numbers in their models and once they start doing it, I think the bond market will pick up. So, I don't have a straight and simple answer for you. Yes, the metric was 5 years and I remember we have also very closely tracked it with U.K., as well as Malaysia, but India the time we introduced and the time we are now, there are few hiccups, which came in through pandemic and delay and everything, but we are in the right direction.

**Gaurang Ved:** Thank you, Mr. Chatwal. That was quite helpful. My other question pertains to other income. So, the year before, which was 2020, there was Other Income of around 27.5 crore as export incentives, which was not there last year. So, would appreciate if you can throw some color why it was not there last year. So, the government has discontinued the scheme, or can you please throw some color?

**Sanjay Chakravarti:** The SEIS, which is the Services Export Incentive Scheme, it was there in 2020, but the amount was lesser. In 2021, once again, we got it for the year 2020. It has not been notified in 2021, so that number doesn't appear in the current year of 2021. As of now, we have not seen any notification of that scheme either coming back or being notified in the current year.

**Gaurang Ved:** So, as of now it's discontinued, is my understanding correct?

**Sanjay Chakravarti:** We don't know Gaurang if it's been discontinued or not. Typically, it would get notified and then we would go ahead and take advantage of the scheme based on our foreign exchange earnings. As to whether it will come back or not at this stage, it will be difficult for us to comment.



**Gaurang Ved:** Fair enough. Thanks for clarification and sir just last question, basically it is related to Research segment. So, if I look at Greenwich number, so the PBT margin for that entity will be around in high single digit. So, I understand very much that we don't give guidance, but qualitatively, can the PBT margin of the Greenwich entity, can it over a medium to long term reach company level, basically research segment PBT margin or is this the fair understanding because I remember that one of the media interview, Ms. Ashu Suyash has clearly said that you endeavor as a company will be to reach a double-digit PBT margin, which is there for the company segment. So, can you please throw some color qualitatively, I am not asking for any specific guidance.

**Sanjay Chakravarti:** So, the way we look at the business is an integrated benchmarking business, which is with our erstwhile or Coalition business and with the Greenwich business because as Amish had mentioned, these two are integrated businesses now, and what we call the benchmarking analytics business and to your question, the answer is yes. We do target to get the benchmarking business to the segment margins.

**Gaurang Ved:** Thanks sir. That was quite helpful and just I want to congratulate entire team that I was just looking at your annual report speech. So, the number which has been given, there are 2,800 new clients added in 2021. That's an amazing number. It's almost around 20% of client addition.

**Moderator:** Thank you. The next question is from the line of Pranav Tendulkar from Rare Enterprises. Please go ahead.

**Pranav Tendulkar:** Thanks a lot for the opportunity. Sir, could you just highlight the global side of the ratings business. How is the opportunity there because if we back calculate for the last 4 years, this is growing much faster than India ratings? That is question number one.

**Amish Mehta:** I am not sure whether that is correct, but I would say that the global business that we have on the Global Analytical Centre, which supports the S&P Global ratings, there we have been able to add new areas in terms of support like ESG and with the pandemic, the requirement of analytical surveillance has gone up. Event driven reviews have gone up. So, I think we have been able to increase and expand all that we do for S&P Ratings and also on other areas of interest, which are there, which has continued to drive growth. I think on the ratings side, as you know, there were years post IL&FS where things were very different from a ratings industry perspective and those numbers are visible to all. So, I think you have to keep that perspective. I think they are two different businesses, and they are driven very differently in terms of areas of interest and how those businesses operate.

**Pranav Tendulkar:** Right. Sir second question is that on the ratings volume side, we understand that credit growth has bottomed, but could you just highlight, out of our India ratings revenue, how much of that is driven by bank and SME ratings and how much of that is driven by bonds issuances, rough figures if you could share?

**Amish Mehta:** So, I don't think we segregate the two on the ratings side. Sanjay, correct me because I don't think we share information. So, please understand in a company, which might have everything, you might agree for a composite amount of ratings to be done. It could be a combination of bank loan and bond market. So, I think it will not necessarily be right to see it in that light.

**Gurpreet Chhatwal:** Let me answer it. We calibrate it. Amish is right. For large issuers when we have a fee arrangement, there it's a flat amount and you have basis points, but it's very difficult to find that out, and also it varies on quarter-to-quarter basis. So, it will be difficult to put aside, but the way I think the market largely functions, it's overall credit growth. That's how we kind of benefit from it. So, it's not very easy to compare, it changes quarter-to-quarter, sometimes year-to-year.

**Pranav Tendulkar:** Okay, thanks a lot sir.

**Moderator:** Thank you. The next question is from the line of Anuj Sharma from M3 Investments. Please go ahead.

**Anuj Sharma:** Thank you. My first question was on the regulatory and compliance opportunity. Could you just explain, are these opportunities compressed for the next few years or do you believe these are long term opportunities, if you exclude the ESG mandate? I'm just saying post ESG, we saw sharp mandates coming up and these were compressed, do you believe that the mandates are compressed in similar nature, or do you believe these regulatory compliance opportunities will keep coming along?

**Andre Cronje:** The amount of regulations across the global businesses and the specific segment that we are quite strong in, which is the big wholesale banks, are certainly not about to reduce. I mean it is increasing. There is a raft of regulations coming through and financial reporting around ESG, all the other regulations that's prevalent in terms of the rolled out and the protection of the capital base of the banks. So, in that context, with the work that we have done up till now and the work that we have started growing a niche for ourselves, we are well positioned to capture that, and we don't see that reducing in any shape or form, in short or long.

**Anuj Sharma:** Thank you. My second question is we have done well by picking up mandates on the buy side. Currently, what would be the opportunity or what would be the revenue split

between buy side and sell side and would there be bigger mandates on buy side you will be looking upon?

**Andre Cronje:** The buy side is definitely an opportunity for us because, as you would have noted and we have said as well, we have started to be quite focused on this. So, the buy side do present an opportunity. It is difficult, at this point in time and as we said numerous times in the presentation, we can't give specific forward guidance, so it's difficult to say exactly what the revenue opportunity is, but you can assume that we will definitely have the focus on the buy side going forward.

**Anuj Sharma:** All right. Could you at least share what is the revenue contribution or the split between buy side and sell side as of today?

**Sanjay Chakravarti:** We don't give that split in the public domain.

**Anuj Sharma:** And my last question is, could you just share the pipeline or the addressable opportunity in the infrastructure international advisory space?

**Amish Mehta:** We continue to drive opportunities across emerging markets, in Middle East and in South Asia and Africa, I think pandemic did see some slowdown in terms of the demand, but as we see the pandemic slowing down everywhere, we are seeing discussions across multilateral agencies and different countries to pick up investments on infrastructure, which augur well from our advisory practice perspective, but keep in perspective that travel restrictions, requirements, so all of that have a bearing on that opportunity, but the traction in terms of discussions, in terms of RFP's is way better than what we had maybe last year or the year before last.

**Anuj Sharma:** Thank you so much.

**Moderator:** Thank you. The next question is from the line of Preethi RS from UTI AMC. Please go ahead.

**Preethi RS:** I wanted to understand a bit on your assessment of how the bond market overall credit share in India is expected to pan out. If you see over the last decade, bonds did gain market share vis-à-vis the bank credit. So, how do you see this pan out and what would be the key drivers that you would look for, for this to improve further?

**Gurpreet Chhatwal:** I think the drivers fundamentally, the bond market will have a good amount of investment happening from institutions, which are not lenders, so its mutual funds have been pretty large players in the bond market space, so are insurance companies, bank treasuries to some extent and international treasuries that's your bond market. The bank you would know it's the Indian banking sector. So, I think the

drivers for both of these are GDP growth rates and so obviously the bank credit is a multiple, 1.3, 1.4, 1.6 of the real GDP growth rate. The bond markets are, I would say, fundamentally similar, possibly can grow at a slightly higher pace than the bank. A smaller base, B I think IBC has a fundamental way of looking at things once you have handled on loss giving default, lot of market players are interested in actually lending in that space. So, we believe that's a positive ticker for the bond market and thirdly I think if you also look at some of the ways the regulators have given a direction, so if you see there is a large corporate framework by RBI where I think they are also talking about credit beyond a certain size, both group caps as well as companies who are borrowing beyond a certain size, I think they are incentivizing them to actually borrow from the bond market rather than the bank loan market, they charge a little bit higher capital. SEBI has also put-up framework for an AA and above companies to borrow 25% from the bond market, so I think these are structural things that play for the bond market beyond the normal credit growth, which is there for the Indian economy. So, I suspect as we grow and once we grow at 6-7%, I am taking ballpark number, I'm sure you guys have a better handle at it, but let's take 1.4 and 1.5, I think when that bond markets would probably grow at higher pace than the bank segment because of the IBC and the way some of the regulators are nudging more participation in the bond market and you will also see financialization of savings, you see this with the growth in the mutual fund portfolios, while a good amount of today is sitting in the G-Sec and the state government market, but structurally if you adjust for risk adjusted returns for a AA or AAA category, you will probably get better returns investing in corporate bonds. So, I think that's the other incentive, which we believe over a long term will come into play.

**Preethi RS:** So, the recent loss in bond market share, so you would see it more as short lived and not necessarily a structural one

**Gurpreet Chhatwal:** That's right. If you are asking the industry growth rate of bond vis-à-vis bank, yes. Typically, what we see in a rising interest rate scenario, bond market would tend to price the interest rate movement almost instantaneous, which means if you are seeing a 20 basis point increase today because of whatever announcement the government makes, the next bond is going to be placed at a higher interest rate. The banks when they do it, they look at more quarterly kind of phenomenon and they look at what RBI's direction is. So, I think they usually take a while. Reverse happens when you actually see a stable or a declining interest rate market. So, suppose we peak at 8% and then start going down to 6%, during that time, bonds will price in instantaneously and banks will again do that. So, you see with rising interest, bonds lose, everything else remaining same, lose some bit of share to the bank and when you are going the other way round, you could see a very different situation and bond market actually gaining.

**Preethi RS:** Thank you so much.

**Moderator:** Ladies and gentlemen, in the interest of time, that was the last question for the day. On behalf of CRISIL Limited, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.

## About CRISIL Limited

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