

Independent auditor's report To the shareholders of CARE Rating Nepal Ltd.

Opinion

We have audited the Financial Statements of CARE Rating Nepal Ltd., (hereinafter referred to as "the Company") which comprise the Balance Sheet as at 31st March, 2021. Statement of Profit & Loss, Cash Flows Statement and Statement of Changes in Equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31st March, 2021 and its financial performance and its cash flows for the year then ended in accordance with Nepal Accounting Standards (NAS).

The accompanying financial statements are prepared for consolidating with parent company.

Basis for opinion

We conducted our audit in accordance with Nepal Standards on Auditing (NSAs). Our responsibility under those standards are further described in the "Auditor's Responsibilities for the audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our ethical responsibilities in accordance with these requirements we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter- Restriction on distribution & use.

We draw attention that the financial statements are prepared to assist the Company in complying with the provisions of parent company. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the CARE Rating Nepal Ltd. and its parent company CARE Ratings Limited, India and should not be distributed to or used by parties other than the company and its parent company.

Management Responsibilities on Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Auditors' Responsibility

Our responsibility is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We have conducted audit as per Nepal standards on Auditing (NSA) and directives issued Office of Companies Registrar (CRO) along with ethical requirement. As per NSA of ICAN and directives of CRO & ethical requirement, we are required to plan the audit and carryout audit accordingly to obtain reasonable assurance.



An audit involves performing procedures to obtain audit evidence about the amount and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the risks assessment of material statement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonable of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidences that we obtained were sufficient and appropriate to provide a basis of our audit opinion.

Date : 15/04/2021
Place : Kathmandu



Madan Kumar Niraula, FCA
Partner

UDIN - 210415CA001945NUty

CARE Ratings Nepal Limited
Balance Sheet
As at March 31, 2021



Particulars	Schedule No.	Amount in NPR	
		As at March 31, 2021	As at March 31, 2020
A EQUITY AND LIABILITIES			
1 Shareholders' Funds			
(a) Share Capital	1	50,000,000	50,000,000
(b) Reserve and Surplus	2	45,550,996	21,705,473
(c) Deferred Tax Reserve		180,805	181,055
2 Current Liabilities			
(a) Advances from Clients	3	25,621,846	37,415,524
(b) Withholding Taxes	4	173,804	649,708
(c) Other Liabilities & Provisions	5	8,997,290	9,708,846
Total		130,524,741	119,660,606
B ASSETS			
1 Non - Current Assets			
(a) Fixed Assets			
(i) Tangible Assets	6	1,517,237	1,639,661
Cost		2,493,698	2,190,006
Less: Accumulated Depreciation		976,462	550,345
(b) Non - Current Deposits		255,000	390,000
2 Deferred Tax Assets		180,805	181,055
3 Current Assets			
(a) Cash and Cash Equivalents	7	3,550,800	6,295,769
(b) Fixed Deposit	8	121,000,000	108,500,000
(c) Trade Receivables	9	557,650	-
(d) Advance Tax	10	1,545,894	643,883
(e) Other Current Assets	11	1,917,355	2,010,239
Total		130,524,741	119,660,606

Schedules referred to above and Notes to Accounts attached hereto form integral part of this balance sheet.

Mr. Ajay Mahajan
Chairman

Mr. Mehul Pandya
Director

Mr. Madan Kumar Braula,
FCA
Chartered Accountants

Dr. Binod Atreya
Director

Mr. Sajan Goyal
CEO

Mr. Sujit Shrestha
Account Head

Date:
Place:

UDIN - 210415 CA001945 NUty

CARE Ratings Nepal Limited
Statement of Profit and Loss
For the period ended March 31, 2021



Amount in NPR

Particulars	Schedule No.	Year ended March 31, 2021	Year ended March 31, 2020
Income			
Revenue from operations	12	64,715,646	51,250,750
Other income	13	11,840,724	9,664,697
Total		76,556,370	60,915,447
Expenses			
Employee Benefits Expenses	14	17,144,991	15,786,266
Depreciation and amortisation	6	426,116	403,533
Other expenses	15	8,064,018	8,702,687
Total		25,635,125	24,892,486
Profit before bonus and tax		50,921,245	36,022,961
Provision for Staff Bonus		5,092,125	3,602,296
Profit before tax		45,829,120	32,420,665
Tax expense:			
Current tax		11,457,280	8,105,166
Deferred tax			
Total tax expense		11,457,280	8,105,166
Profit for the period		34,371,840	24,315,499
Earnings per Equity Share:			
Basic		68.74	48.63
Diluted		68.74	48.63

Schedules referred to above and Notes to Accounts attached hereto form integral part of this balance sheet.

Mr. Ajay Mahajan
Chairman

Mr. Mehul Pandya
Director

Mr. Madan Kumar Niraula
FCA
Chartered Accountants

Dr. Binod Atreya
Director

Mr. Sajjan Goyal
CEO

Mr. Sujit Shrestha
Account Head

Date:

Place:

CARE Ratings Nepal Limited
Cash Flow Statement
For the period ended March 31, 2021



Particulars	Amount in NPR	
	As at March 31, 2021	As at March 31, 2020
A. Cash flow from Operating Activities		
Profit / (Loss) before tax	45,829,120	32,420,665
Adjustments for:		
Depreciation and amortisation	426,116	403,533
Write-off of Fixed Assets (Interior work)	92,833	-
Non-Cash Income (TSA Payable Written Off)	(1,600,000)	-
Deferred Tax expenses (Net)	-	-
Interest income on fixed deposits	(9,859,566)	(9,664,697)
Operating profit before working capital changes	34,888,503	23,159,501
Movement in working capital:		
Increase/(Decrease) in Current Liabilities & Provisions	(11,381,138)	22,254,900
(Increase)/Decrease in Other Current Assets & Receivables	(464,766)	(907,332)
Change in advance Tax	(902,011)	(3,042,433)
	22,140,587	41,464,636
Taxes paid	(11,457,280)	(8,105,166)
Net Cash from Operating Activities	(A) 10,683,307	33,359,470
B. Cash flow from Investing Activities:		
Purchase of Fixed Assets	(396,524)	(1,689,583)
Investment in Fixed Deposits	(12,500,000)	(28,500,000)
Interest Received	9,859,566	9,664,697
(Addition)/Decrease in Non Current Deposit	135,000	(390,000)
Net Cash from Investing Activities	(B) (2,901,958)	(20,914,886)
C. Cash Flow from Financing Activities:		
Proceeds from share Capital	-	-
Dividend Paid	(10,526,317)	(10,526,317)
Net Cash from Financing Activities	(C) (10,526,317)	(10,526,317)
Net increase / (decrease) in cash and cash equivalents	(A+B+C) (2,744,968)	1,918,267
Cash and cash equivalents at the beginning of the period	6,295,768	4,377,501
Cash and cash equivalents at the end of the period	3,550,800	6,295,768

Note: Figures have been re-grouped wherever necessary.

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Director

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FCA
Chartered Accountants

Dr. Binod Atreya
Director

Mr. Sajan Goyal
CEO

Mr. Sufit Shrestha
Account Head

Date:
Place:

CARE RATINGS NEPAL LTD.
Statement of Changes in Equity
Kathmandu
For the period ended March 31, 2021



Particulars	Share Capital	Retained Earnings	Deferred Tax Reserve	Total
Balance as at 1st April, 2020	50,000,000	21,705,473	180,805	71,886,278
Adjustment for the period				-
Net Profit for the period		34,371,840		34,371,840
Dividend		(10,526,317)		(10,526,317)
Deferred Tax Reserve			-	-
Balance as at 31st March, 2021	50,000,000	45,550,996	180,805	95,731,801

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FCA
Chartered Accountants



Dr. Binod Atreya
Director

Mr. Sajan Goyal
CEO

Mr. Sujit Shrestha
Account Head

Date:
Place:

CARE Ratings Nepal Limited
SCHEDULES TO FINANCIAL STATEMENTS
For the period ended March 31, 2021



Particulars	Amount in NPR	
	As at March 31, 2021	As at March 31, 2020
SCHEDULE 1 - SHARE CAPITAL		
Authorised		
500,000 nos. of Equity Shares of NRs. 100 each	50,000,000	50,000,000
Issued, subscribed and fully paid up		
500,000 nos. of Equity Shares of NRs. 100 each	50,000,000	50,000,000
Total	50,000,000	50,000,000
SCHEDULE 2- RESERVE AND SURPLUS		
Surplus in Statement of Profit and Loss		
Opening Balance	21,705,473	7,916,291
Profit / (Loss) for the period	34,371,840	24,315,499
Less: Adjustment for dividend payable/paid	(10,526,317)	(10,526,317)
Total	45,550,996	21,705,473

Note: Figures have been re-grouped wherever necessary

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CARE Ratings Nepal Limited
SCHEDULES TO FINANCIAL STATEMENTS
For the period ended March 31, 2021



Particulars	Amount in NPR	
	As at March 31, 2021	As at March 31, 2020
SCHEDULE 3 -ADVANCE RECEIVED FROM CLIENTS		
Total	25,621,846	37,415,524
SCHEDULE 4 - WITHHOLDING TAXES		
Remuneration Tax Payable	136,473	636,920
SST Payable	414	1,202
TDS on Audit Fee	975	-
TDS on Meeting Fee	6,450	750
TDS on Vehicle Facility	3,658	10,080
TDS on Advertisement	-	178
TDS on Service Charge	334	578
TDS on Rent	25,500	-
Total	173,804	649,708
SCHEDULE 5 - OTHER LIABILITIES AND PROVISION		
Deferred Tax Liability	-	-
TSA Fee Payable	-	1,600,000
CARE Ratings Limited, India	1,790,053	1,507,938
Other Liability	1,880	1,880
Sundry Creditors for Expenses	68,909	45,258
Meeting Fee Payable	153,850	330,400
Payable to SEBON	1,074,032	904,763
VAT Payable	1,091,572	1,317,714
Other liabilities	687,791	1,299,446
Dividend Payable	-	-
Provision for Expenses	5,044	5,044
Income Tax Provision (Net of Advance Tax)	-	-
Provision for gratuity	131,917	91,136
Provision for Leave Encashment	693,242	536,522
Provision for Staff Bonus	3,299,000	2,068,745
Total	8,997,290	9,708,846

Note: Figures have been re-grouped wherever necessary.

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CARE RATINGS NEPAL LTD.
Kathmandu
Schedule forming part of the Balance Sheet
For the period ended 31 March, 2021
(All amounts in NPR, unless otherwise stated)



SCHEDULE 6 : FIXED ASSETS

PARTICULARS	COST	Addition	Disposal/ Write Off	DEPRECIATION			BOOK VALUE	
	As at Apr 1, 2020			As at Mar 31, 2021	As at Apr 1, 2020	For 2020-21	As at Mar 31, 2021	As at Mar 31, 2021
Tangible Assets								
Furniture and Fixture	284,916	-	-	284,916	55,777	52,134	107,911	177,005
Canon Printer	36,160	-	-	36,160	18,600	3,996	22,596	13,564
Dell Laptop	590,633	55,310	-	645,943	202,294	92,231	294,525	351,418
PABX System	-	23,014	-	23,014	-	1,714	1,714	21,300
Heater	11,400	-	-	11,400	3,248	1,856	5,104	6,296
Interior Works	1,125,000	-	67,165	1,057,835	255,654	215,519	471,173	586,662
Interior Works 2	141,898	-	25,668	116,230	14,773	41,131	55,904	60,326
Interior Works 3	-	318,200	-	318,200	-	17,535	17,535	300,665
Total	2,190,007	396,524	92,833	2,493,698	550,346	426,116	976,462	1,517,237



CARE Ratings Nepal Limited
SCHEDULES TO FINANCIAL STATEMENTS
For the period ended March 31, 2021



Particulars	Amount in NPR	
	As at March 31, 2021	As at March 31, 2020
SCHEDULE 7 - CASH AND BANK BALANCES		
Cash on hand	4,729	346
Balances with Bank	3,546,071	6,295,423
Total	3,550,800	6,295,769
SCHEDULE 8 - FIXED DEPOSIT		
Fixed Deposit (maturing within 12 months)	121,000,000	108,500,000
Total	121,000,000	108,500,000
SCHEDULE 9 - TRADE RECEIVABLES		
Receivable from Clients	557,650	-
Total	557,650	-
SCHEDULE 10 - ADVANCE INCOME TAX		
Advance Income Tax (Net of Income Tax Provision)	1,545,894	643,883
Total	1,545,894	643,883
SCHEDULE 11 - OTHER CURRENT ASSETS		
Interest accrued but not due on fixed deposits	1,709,460	1,842,314
Telephone Deposit	2,250	2,250
Bid Bond Deposit	-	165,675
Prepaid Expenses	205,645	-
Total	1,917,355	2,010,239

Note: Figures have been re-grouped wherever necessary.

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CARE Ratings Nepal Limited
SCHEDULES TO FINANCIAL STATEMENTS
For the period ended March 31, 2021



Particulars	Year ended March 31, 2021	Year ended March 31, 2020
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SCHEDULE 12 - REVENUE FROM OPERATIONS

Sale of Services		
Rating Income	64,715,646	51,250,750
Total	64,715,646	51,250,750

SCHEDULE 13 - OTHER INCOME

Interest income on Call Deposits	91,892	405,071
Interest income on Fixed Deposits	9,859,566	9,259,626
Miscellaneous Income	1,889,266	-
Total	11,840,724	9,664,697

Note: Figures have been re-grouped wherever necessary.

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CARE Ratings Nepal Limited
SCHEDULES TO FINANCIAL STATEMENTS
For the period ended March 31, 2021



Particulars	Year ended March 31, 2021	Year ended March 31, 2020
SCHEDULE 14 - EMPLOYEE BENEFIT EXPENSES		
Salaries and Other Allowances	16,204,662	14,812,653
Contribution to Retirement fund	940,329	973,613
Total	17,144,991	15,786,266

SCHEDULE 15 - OTHER EXPENSES

Advertisement	65,997	44,549
Audit Fees (including Limited Review Fees)	163,060	145,000
Directors' Sitting Fees	100,000	85,000
Miscellaneous Expenses	2,520	9,008
Office Expenses	281,803	432,042
Postage, Printing and Telephone Charges	190,567	210,947
Rates, Charges and Taxes	156,774	136,008
Rent	1,138,064	1,425,908
Repair and Maintenance	6,500	4,000
Royalty Expenses	3,235,783	2,562,538
Security, Housekeeping and Office Supplies	113,137	99,380
Write Off Expenses	92,833	
Services Charges to SEBON	1,941,470	1,537,523
Team Building, Training & conference Fee	121,364	277,528
Travelling and Conveyance Expenses	49,837	500,132
Vehicle Hire Charges	404,309	783,300
Legal Fees	-	8,400
AGM Expenses	-	441,426
Total	8,064,018	8,261,263

Note: Figures have been re-grouped wherever necessary.

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CARE RATINGS NEPAL LIMITED
NOTES TO FINANCIAL STATEMENTS
For the year ended on March 31, 2021



NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

1. Background

CARE Ratings Nepal Limited is a public company incorporated under Companies Act 2063 dated 20th Baisakh 2074 B.S. (3rd May 2017) vide registration no. 167891/73/074. The registered office of the company is located at Kathmandu-1, Seto Durbar Jamal. Its main objective is to carry out credit rating and related services within the territory of Nepal. It has obtained license from Securities Board of Nepal (SEBON) on 30th Kartik 2074 B.S. (16th November 2017) under Securities Act, 2063 and Credit Ratings Regulation, 2068; and obtained certificate of commencement of business from Office of Company Registrar on 12th Mangsir 2074 (28th November 2017). It has been registered in Inland Revenue Department (IRD) on 1st Jestha 2074 (5th May 2017) and VAT registered on 3rd Mangsir 2074 B.S. (19th November 2017) under Value Added Tax Act, 2052.

The Company is supported by CARE Ratings Limited, India through a technical assistance agreement.

2. Significant Accounting Policies:

a. Basis of preparation and presentation of financial statements

The financial statements have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP) under the historical cost convention on the accrual basis of accounting and comply with the Accounting Standard notified under section 133 of the Companies Act, 2013 read with General Circular 8/2014 dated April 4, 2014, issued by the Ministry of Corporate Affairs to the extent applicable. The accounting policies have been consistently followed by the Company.

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle, and other criteria set out in the Schedule III to the Companies Act, 2013. Based on the nature of products and the time between the acquisition of assets for processing and their realization in cash and cash equivalents, the Company has ascertained its operating cycle as up to twelve months for the purpose of current/non-current classification of assets and liabilities.

b. Use of estimates:

The financial statements are prepared in accordance with Indian GAAP in India which requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the period. Management believes that the estimates made in the preparation of the financial statements are prudent and reasonable. Actual results may differ from those estimates. Any revision to accounting estimates is recognized prospectively in current and future periods.

c. Revenue Recognition:

Rating/grading services fees and surveillance fees are recognized at the time of issuing Tax Invoice after assigning the rating/grading by the Rating/ Grading Committee of the Company.

Dividends on investments are recognized as income as and when the right to receive the same is established. Interest earnings on fixed deposits and call deposits are recognized on accrual basis.





d. Miscellaneous Income:

Miscellaneous income includes Rs. 1,600,000/- TSA fee payable written off and booked as income.

e. Fixed assets and depreciation

Tangible fixed assets

Fixed assets are stated at cost of acquisition less accumulated depreciation and impairments if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Depreciation on fixed assets is provided diminishing balance method estimated useful lives of the assets as follows:

Assets Category	Depreciation Rate
Computers	25%
Furnitures & Fixtures	25%

Leases

Lease rentals under an operating lease, are recognized as an expense in the statement of profit and loss on a straight line basis over the lease term.

f. Foreign Currency Transactions:

Foreign currency transactions are recorded, on initial recognition in the reporting currency, at the prevailing rates as at the date of such transactions.

Foreign currency monetary items are reported using the closing rates. Non-monetary items which are carried in terms of historical costs denominated in a foreign currency are reported using the exchange rate at the date of transaction.

Exchange differences, arising on settlement of monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expense in the year in which they arise.

g. Employee benefits

Short term employee benefits

All employee benefits payable wholly within twelve months of rendering the service are classified as short-term employee benefits. Benefits such as salaries, allowances etc. are recognized in the Statement of Profit and Loss in the period in which the employee renders the related service and measured accordingly.

Contribution to the Provident Fund and Social Security Fund is made at the prescribed rates to the Provident Fund. Contribution to Provident Fund and Social Security Fund is charged to Statement of Profit and Loss.

h. Income Tax

Provision for current tax is provided in accordance with the provisions of the Income Tax Act, 2002 of Nepal.





The Deferred tax is accounted in accordance with the Accounting Standard issued by The Institute of Chartered Accountants of India. The Deferred tax for the year on timing differences are accounted at tax rates that have been enacted by the Balance Sheet date.

Deferred tax assets arising from the timing difference are recognized to the extent that there is reasonable certainty that sufficient future taxable income will be available.

In case of unabsorbed losses and unabsorbed depreciation, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profit. At each balance sheet date, the Company re-assesses unrecognized deferred tax assets.

i. Earnings per share

The basic earnings per equity share are computed by dividing the net profit or loss attributable to the equity shareholders for the year by the weighted average number of equity shares outstanding during the reporting year.

Diluted EPS is computed by dividing the net profit attributable to the equity shareholders for the year by the weighted average of equity and dilutive equity equivalent shares outstanding during the reporting year.

j. Provisions and contingent liabilities

The Company creates a provision where there is present obligation as a result of past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

k. Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement comprise cash on hand and fixed deposits at bank with an original maturity of three months or less.

l. Related Party Disclosures

Nature of relationship and name of the related parties:

a. Holding Company

CARE Ratings Ltd.
(Formerly known as Credit Analysis and Research Ltd.)

b. Key Management Personnel

Mr. Ajay Mahajan	Chairman
Mr. T. N. Arun Kumar (Up to February 28, 2021)	Director
Mr. Mehul Pandya	Director
Dr. Binod Atreya	Director
Mr. Sajan Goyal	Chief Executive Officer

Disclosure of transactions between the Company and related parties and the status of outstanding balances as on March 31, 2021

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Particulars	Holding Company	Key Management Personnel
During the period:		
Royalty Expense	3,235,782	
Salary & Other Benefits	-	89,11,957
Meeting fees and Allowance	-	100,000
Balance as on 31st March 2021		
Meeting Fees and Allowance		153,850
Salary & Other benefits payable		252,554
Royalty Payable	1,790,052	

Mr. Ajay Mahajan
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Director

Madan Kumar Niraula
Chartered Accountants



Dr. Binod Atreya
Director

Dr. Binod Atreya
Director

Mr. Sajan Goyal
CEO

Mr. Sajan Goyal
CEO

Mr. Sujit Shrestha
Account Head

