

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

1. Report on Financial Statements

We have audited the financial statements CARE Rating Nepal Ltd. which comprise Balance Sheet as at 31st March 2020, Income Statement, statement of changes in equity, Cash Flow Statement for the year then ended and notes to the financial statements, including summary of significant account policies.

In our opinion, the accompanying financial statements are prepared for consolidating with parent company.

2. 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.

3. Emphasis of Matter- Restriction on distribution & use.

Since 31 March 2020, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Government has responded to stabilize economic conditions. The Company has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended 31 March 2020 have not been adjusted to reflect their impact. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government response, remains unclear as on the date. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Company for future periods.

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.



UDIN: 200614CA0019422A17.

4. **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.

5. **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.

6. **Audit opinion**

In our opinion, the Balance Sheet as at 31st March 2020, Income statement, statement of changes in equity, Cash flow statement for the year then ended and notes to the financial statements, including summary of significant account policies gives true and fair view in all material respects.

Date: 14 June 2020
Place: Kathmandu


Madan Kumar Niraula, FCA
Principal

CARE Ratings Nepal Limited
Balance Sheet as at 31st March, 2020
(All amounts in NPR, unless otherwise stated)



Particulars	Note No.	As at 31.03.2020	As at 31.03.2019
A EQUITY AND LIABILITIES			
1 Shareholders' Funds		71,886,528	57,916,291
(a) Share Capital	1	50,000,000	50,000,000
(b) Reserve and Surplus	2	21,705,473	7,916,291
(c) Deferred Tax Reserve		181,055	
2 Current Liabilities		51,878,190	29,623,290
(a) Advances from Clients	3	37,415,524	20,802,480
(b) Withholding Taxes	4	649,708	117,537
(c) Other Liabilities & Provisions	5	13,812,959	8,703,273
TOTAL		123,764,718	87,539,581
B ASSETS			
1 Non - Current Assets			
(a) Fixed Assets			
(i) Tangible Assets			
Cost	6	1,639,661	353,611
Less: Accumulated Depreciation		2,190,006	500,423
(b) Non - Current Deposits		550,345	146,812
2 Deferred Tax Assets		390,000	
3 Current Assets		115,258,234	87,185,970
(a) Cash and Cash Equivalents	7	6,295,769	4,377,501
(b) Fixed Deposit	8	108,500,000	80,000,000
(c) Short-Term Loans and Advances	9	2,010,239	1,102,907
(d) Advance Tax	10	4,747,995	1,705,562
TOTAL		123,764,718	87,539,581

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

Mr. Ajay Mahajan
Chairman

Mr. T. N. Arun Kumar
Director

Mr. Mehul Pandya
Director

Madan Kumar Niraula
FCA
Chartered Accountants

Dr. Binod Atreya
Director

Mr. Sajan Goyal
CEO

Mr. Sujit Shrestha
Account Head

Date:
Place:

UDIN: 200614CA0019422A1Y

CARE Ratings Nepal Limited
Statement of Profit and Loss for the period ended 31st March, 2020
(All amounts in NPR, unless otherwise stated)



	Particulars	Note No.	12 months ended March 31, 2020	12 Months ended March 31, 2019
I.	Revenue from Operations		51,250,750	24,567,050
	Total Revenue from Operations		51,250,750	24,567,050
II.	Other Income	11	9,664,697	6,293,391
III.	Total Revenue (I + II)		60,915,447	30,860,441
IV.	Expenses :			
	Employee Benefits Expenses	12	15,786,266	10,194,461
	Finance Costs		-	-
	Depreciation and Amortisation Expense	6	403,533	87,672
	Other Expenses	13	8,702,687	4,932,595
	Total Expenses		24,892,486	15,214,728
V	Profit Before Bonus and Tax (III - IV)		36,022,961	15,645,713
VI	Provision for staff Bonus		3,602,296	1,564,571
VII	Profit Before Tax (V - VI)		32,420,665	14,081,142
VIII	Tax expenses		8,105,166	2,767,619
	Current Period		8,105,166	2,766,273
	Deferred Tax income		-	1,346
IX	Profit for the Period (VII-VIII)		24,315,499	11,313,523
X	Earnings per equity share:			
	Basic		48.63	22.63
	Diluted		48.63	22.63

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

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Chairman

Mr. T. N. Arun Kumar
Director

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Director

Madan Kumar Niraula,
FCA
Chartered Accountants

Dr. Binod Atreya
Director

Mr. Sajan Goyal
CEO

Mr. Sujit Shrestha
Account Head

Date:

Place:

CARE Ratings Nepal Limited
Statement of Cash Flow for the period ended 31st March, 2020
(All amounts in NPR, unless otherwise stated)



Particulars	As at 31.03.2020	As at 31.03.2019
A. Cash Flow from Operating Activities		
Net Profit/(loss) before Tax	32,420,665	14,081,142
Adjustments	403,533	87,672
Depreciation	(9,664,697)	(6,293,391)
Interest Income	23,159,501	7,875,423
Operating Profit before working capital changes		
Changes in Working Capital	22,254,900	22,177,990
Increase/(Decrease) in Current Liabilities & Provisions	(907,332)	741
(Increase)/Decrease in Receivables	(3,042,433)	-
Change in advance Tax	41,464,636	30,054,154
Cash generated from Operation		
Income Tax Paid	(8,105,166)	(1,809,696)
Net Cash Flow from Operating Activities	33,359,471	28,244,458
B. Cash Flow from Investing Activities		
Interest Received	9,664,697	6,274,740
Addition in Fixed Assets	(1,689,583)	(124,657)
Investment in Fixed Deposit	(28,500,000)	(40,000,000)
Addition in Non Current Deposit	(390,000)	-
Net Cash Flow from Investing Activities	(20,914,886)	(33,849,917)
C. Cash Flow from Financing Activities		
Proceeds from Issue of Share Capital	-	-
Dividend paid	(10,526,317)	-
Net Cash Flow from Financing Activities	(10,526,317)	-
Net Increase/(Decrease) in Cash & Cash Equivalents (A+B+C)	1,918,268	(5,605,459)
Opening balance of Cash and Cash Equivalent	4,377,501	9,982,960
Closing balance of Cash and Cash Equivalents	6,295,769	4,377,501

Mr. Ajay Mahajan
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Dr. Binod Atreya
Director

Mr. Sajjan Goyal
CEO

Mr. Sujit Shrestha
Account Head

Date:
Place:

CARE RATINGS NEPAL LTD.



Statement of Changes in Equity
Jamal, Kathmandu
For the period ended 31st March, 2020

Particulars	Share Capital	Retained Earnings	Deferred Tax Reserve	Total
Balance as at 31st March, 2019	50,000,000	7,916,291	-	57,916,291
Adjustments				
Deferred Tax opening adjustment- Income till last year				-
Less Deferred tax expense (as per Audit)				-
Adjusted Opening Balance	50,000,000	7,916,291	-	57,916,291
Adjustment for the period		24,315,499		24,315,499
Net Profit for the period		(10,526,317)		(10,526,317)
Dividend Paid			181,055	181,055
Deferred Tax Reserve			181,055	181,055
Balance as at 31st Dec, 2019	50,000,000	21,705,473	181,055	71,886,528

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Mr. Sajjan Goyal
CEO

.....
Mr. Sujit Shrestha
Account Head

CARE Ratings Nepal Limited
Schedule forming part of the Balance Sheet
For the period ended 31st March, 2020
(All amounts in NPR, unless otherwise stated)



Schedule	Particulars	As at 31.03.2020	As at 31.03.2019
1	SHARE CAPITAL		
	Authorised Capital		
	500,000 nos. of Ordinary Shares of Rs. 100 each	50,000,000	50,000,000
	Issued Capital		
	500,000 nos. of Ordinary Shares of Rs. 100 each	50,000,000	50,000,000
	Subscribed and Paid up		
	500,000 nos. of Ordinary Shares of Rs. 100 each	50,000,000	50,000,000
	Total	50,000,000	50,000,000
2	RESERVE AND SURPLUS		
	Profit for the period	24,315,499	4,497,710
	Opening Retained Earnings	7,916,291	3,418,581
	Dividend	(10,526,317)	-
	Total	21,705,473	7,916,291
3	ADVANCES FROM CLIENTS	37,415,524	20,802,480
	Total	37,415,524	20,802,480
4	WITHHOLDING TAXES		
	Remuneration Tax Payable	636,920	98,873
	SST Payable	1,202	1,736
	TDS on Audit Fee	-	750
	TDS on Meeting Fee	750	12,750
	TDS on Service Charge	578	-
	TDS on Vehicle Hire Charges	10,080	3,250
	TDS on Advertisement	178	178
	Total	649,708	117,537

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Schedule	Particulars	As at 31.03.2020	As at 31.03.2019
5	OTHER LIABILITIES & PROVISIONS		
	Deferred Tax Liability	-	1,346
	CARE Ratings Ltd (Royalty)	1,507,938	1,252,042
	Meeting Fee Payable	330,400	258,400
	Salary Payable	1,106,446	287,576
	Audit Fee Payable	128,800	49,250
	Provident Fund Payable	64,200	30,212
	Technical Assistance Fees Payable	1,600,000	1,600,000
	Service Charge Payable to SEBON	904,763	517,268
	Income Tax Provisions	4,104,112	2,451,323
	Provision for Sundry Expenses	5,044	-
	Provision for Gratuity	91,736	124,924
	Provision for Leave Encashment	536,522	525,905
	Provision for Staff Bonus	2,068,745	1,309,443
	Other Liability	1,880	1,880
	VAT Payable	1,317,714	263,096
	Sundry Creditors	45,258	30,608
	Total	13,812,959	8,703,273
7	CASH AND CASH EQUIVALENTS		
	Cash in Hand		
	Petty Cash	346	2,959
	Balance with Banks		
	Local Currency	6,295,423	4,374,542
	Total	6,295,769	4,377,501
8	FIXED DEPOSIT		
	In Interest Bearing Fixed Deposit Account		
	(Maturing within 12 months from balance sheet date)	108,500,000	80,000,000
	Total	108,500,000	80,000,000
9	SHORT TERM LOAN AND ADVANCES		
	Telephone Deposit	2,250	2,250
	Bid Bond Deposit	165,675	-
	Interest Income Receivable	1,842,314	1,100,657
	Total	2,010,239	1,102,907
10	ADVANCED TAX		
	Total	4,747,995	1,705,562
		4,747,995	1,705,562

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CARE RATINGS NEPAL LTD.

Jamal, Kathmandu

Schedule forming part of the Balance Sheet

For the period ended 31st March, 2020

(All amounts in NPR, unless otherwise stated)



Schedule 6 : FIXED ASSETS

PARTICULARS	COST			DEPRECIATION			BOOK VALUE
	As at Apr 1, 2019	Addition in 2019-20	Disposal	As at Mar 31st, 2020	As at Apr 1, 2019	As at Mar 31st, 2020	
Tangible Assets							
Furniture and Fixture	86,106	198,810	-	284,916	33,446	55,777	229,139
Canon Printer	36,160	-	-	36,160	13,428	18,600	17,560
Dell Laptop	366,757	223,876	-	590,633	99,093	202,294	388,338
Heater	11,400	-	-	11,400	846	3,248	8,152
Interior Works	-	1,125,000	-	1,125,000	-	255,654	869,346
Interior Works 2	-	141,898	-	141,898	-	14,773	127,125
Intangible Assets							
Total	500,423	1,689,584	-	2,190,007	436,951	550,345	1,639,661



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CARE Ratings Nepal Limited

Notes to Financial Statements for the period ended 31st March, 2020

(All amounts in NPR, unless otherwise stated)

Schedule	Particulars	12 months ended March 31, 2020	12 month ended March 31, 2019
11	OTHER INCOME		
	Interest from call deposit	405,071	488,885
	Interest from Fixed Deposit	9,259,626	5,804,506
	Total	9,664,697	6,293,391

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CARE Ratings Nepal Limited
Notes to Financial Statements for the period ended 31st March, 2020
(All amounts in NPR, unless otherwise stated)



Schedule	Particulars	12 months ended March 31, 2020	12 months ended March 31, 2019
12	EMPLOYEE BENEFITS EXPENSE		
	Salaries, Wages, Bonus etc.	14,967,260	9,747,073
	Contribution to Provident and other Funds	819,006	447,388
	Total	15,786,266	10,194,461

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CARE Ratings Nepal Limited

Notes to Financial Statements for the period ended 31st March, 2020

(All amounts in NPR, unless otherwise stated)



Schedule	Particulars	12 months ended March 31, 2020	12 months ended March 31, 2019
13	OTHER EXPENSES		
	Advertisement	44,549	74,767
	Audit Fees (including Limited Review Fees)	145,000	132,500
	Business Development Expenses	-	10,856
	Directors' Sitting Fees	85,000	147,000
	Legal and Professional Fees	8,400	45,199
	Miscellaneous Expenses	9,008	7,010
	Postage and Telephone Charges	210,947	215,997
	Office Expenses	432,042	238,702
	Rates and Taxes	136,008	196,950
	Rent	1,425,908	360,000
	Royalty Expenses	2,562,538	1,228,353
	Security, Housekeeping and Office Supplies	99,380	29,723
	Service Charges to SEBON	1,537,523	737,012
	Travelling and Conveyance Expenses	500,132	166,472
	Team Building, Training & conference Fee	277,528	40,969
	AGM Expenses	441,426	582,953
	Repair and Maintenance	4,000	3,350
	Vehicle Hire Charges	783,300	714,783
	Total	8,702,687	4,932,596

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CARE RATINGS NEPAL LIMITED
NOTES TO FINANCIAL STATEMENTS
For the year ended on March 31, 2020



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 realisation 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.





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%

d. 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.

e. 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.

f. 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.

g. 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.

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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.

h. 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.

i. 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.

j. 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.

k. 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	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, 2019

Particulars	Holding Company	Key Management Personnel
During the period:		





Royalty Expense	25,62,538	
Salary & Other Benefits	-	86,45,616
Meeting fees and Allowance	-	85,000
Balance as on 31st March 2019		
Meeting Fees and Allowance		3,30,400
Salary & Other benefits payable		11,06,446
Technical Assistance Fees Payable	16,00,000	-
Royalty Payable	15,07,938	

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