

A large, abstract graphic consisting of several overlapping, wavy bands of color in shades of teal, light green, and dark blue, flowing from the left side of the page towards the right.

27th
**ANNUAL
REPORT**
2019-2020

Vision

To be a respected company that provides best - in its field - quality and value services

Values

- Integrity and Transparency: Commitment to be ethical, sincere and open in our dealings
- Pursuit of Excellence: Committed to strive relentlessly to constantly improve ourselves
- Fairness: Treat clients, employees and other stakeholders fairly
- Independence: Unbiased and fearless in expressing our opinion
- Thoroughness: Rigorous analysis and research on every assignment that we take

Mission

- To offer a range of high-quality services to all the stakeholders in the capital market
- To build a pre-eminent position for ourselves in India in securities analysis, research and information services and to be an international credit rating agency
- To earn customer satisfaction and investor confidence through fairness and professional excellence
- To remain deeply committed to our internal and external stakeholders
- To apply the best possible tools & techniques for securities analysis aimed to ensure efficiency and top quality
- To ensure globally comparable quality standards in our rating, research and information services

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The Annual Report contains certain forward looking statements based on our current expectations, assumptions, estimates and projections regarding the Company's businesses. These forward-looking information and statements can generally be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements sometimes use terminology such as "targets", "believes", "expects", "aims", "assumes", "intends", "plans", "seeks", "will", "may", "anticipates", "would", "could", "continues", "estimate", "milestone" or other words of similar meaning and similar expressions or the negatives thereof. By their nature, forward-looking information and statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the Company to differ materially from those expressed or implied by the forward-looking statements. Given the aforementioned uncertainties, prospective or present shareholders / investors and users of this Report are cautioned not to place undue reliance on any of these forward-looking statements. The Company does not undertake to update the forward-looking statements in the future, unless legally required.

Message from Managing Director & CEO

When 2019-20 began it was laced with optimism as it was expected that the economy will recover and be on the path of higher growth. The two sets of issues associated with SMEs being put on a firmer footing and the NBFC crisis which began in 2018 appeared to be under control. The government and RBI had taken various measures to steady the financial sector involving channeling of credit to these vulnerable sectors. Therefore, the preconditions required to be for further growth seemed to be in place.

However, for CARE Ratings, business prospects within the traditional credit rating business depends on how both the credit and debt market perform. Here we did see that the emerging picture was not positive. I would like to mention here that credit rating business depends on the overall size of the rateable universe increasing once it reaches a stage of maturity where almost all existing paper is rated. GDP growth was just 4.2% with industrial growth being negative 0.7%. While overall growth in bank credit was 6.1% (13.3% last year), the two segments which matter for our business i.e. industry and services registered much lower growth rates of 0.7% (6.9%) and 7.4% (17.8%) respectively. Therefore, the banking universe was much smaller than last year in incremental terms as banks shied from lending even while demand for funds was low given the surplus capacity in manufacturing. Further, the NPA levels tended to be still in the region of 9.5% which made banks cautious especially while lending for projects. Our initial rating business thus got affected.

The other segment, namely, capital market issuances of corporate debt, witnessed higher issuances of Rs 6.9 lakh crore as against Rs 6.5 lakh crore. The financial and infra sectors accounted for 85% of

issuances and was not quite well spread across all sectors. The dominance of PSUs was also noticeable here. Given the fee structure, earnings on larger borrowings are not commensurate with volume debt rated. Therefore, we had to rely more on surveillance income this year and overall performance did reflect the same.

This can be a new trend in the coming years. We do realize that credit rating business is going to be volatile and uncertain as the exponential growth one expects in the macro numbers of the economy cannot be taken for granted. Similarly, regulatory changes now dictate that credit rating agencies can do only credit rating business and nothing else. All this means that with changing times we need to adapt with alacrity to the uncertain environment to generate incremental shareholder value. Therefore, we will also be concentrating on other related businesses which are established in our two domestic subsidiaries, CART and CRSPL, and two overseas credit rating subsidiaries in Africa and Nepal. Just like how the conventional banking business faces barriers in terms of growth of credit and deposits and hence resorts to other avenues of income streams, like cross-selling of fee based products, so too have credit rating agencies to innovate and build client related advisory, research and analytics businesses. CARE has traditionally only focused on ratings business; hence the diversification needs for CARE Ratings are that much stronger.

I do see a lot of potential in business opportunity in the areas of structured products, securitization and impaired assets resolution and would be focusing our diversification plans in this direction. Also, in our business which is knowledge intensive having top-class human resources is imperative. To leverage this reservoir of talent which we have, the company will be



Ajay Mahajan

using more of technology to drive processes in the coming years and the use of AI will be one of the guiding blocks.

We have recognized the requirement of having best in class market intelligence to pick up news of potential disruption in activities of clients which can affect the rating. Our business is about prognosis and to hit the bull's eye, we need to be market savvy and street smart. This is what we have learnt from the NBFC crisis and are already working on building this ML system whereby we are able to detect problems in advance.

Hence, we will be focusing on both more aggressive diversification through our subsidiaries and more robust ratings processes involving AI and ML. This we believe will bring about sustainable growth in the balance sheet of CARE Ratings Group in future as well as enhance the accuracy of our ratings. I do hence look upon the developments in the last two years in terms of lower growth and the credit ratings disruptions in the NBFC sector positively as wake-up calls which have forced us to think differently.

I am confident that the past will be behind, and your company will emerge stronger and continue to add shareholder value in future.

Directors & Committee Members

The board at its meeting held on June 18 ,2020 reconstituted the Board committee(s) as follows:

Audit Committee

Mr. Adesh Kumar Gupta	Chairman
Mr. V. Chandrasekaran	Member
Ms. Sonal Gunvant Desai	Member
Mr. Ananth Narayan Gopalakrishnan	Member

Nomination and Remuneration Committee

Mr. Najib Shah	Chairman
Mr. Adesh Kumar Gupta	Member
Mr. V. Chandrasekaran	Member

Stakeholders Relationship Committee

Mr. V. Chandrasekaran	Chairman
Mr. Ananth Narayan Gopalakrishnan	Member
Dr. M. Mathisekaran	Member

CSR Committee

Dr. M. Mathisekaran	Chairman
Ms. Sonal Gunvant Desai	Member
Mr. V. Chandrasekaran	Member

Risk Management Committee

Ms. Sonal Gunvant Desai	Chairperson
Mr. Adesh Kumar Gupta	Member
Dr. M. Mathisekaran	Member
Mr. Najib Shah	Member

Rating Sub Committee

Mr. Ananth Narayan Gopalakrishnan	Chairman
Mr. Adesh Kumar Gupta	Member
Mr. Najib Shah	Member
Mr. V. Chandrasekaran	Member

Board of Directors



1 Mr. V. Chandrasekaran
Non Executive Director
Former Executive Director (Investment) LIC of India

2 Mr. Adesh Kumar Gupta
Non Executive Independent Director
Former Whole time Director and CFO, Grasim and
Former Director – UltraTech – Aditya Birla Group

3 Ms. Sonal Gunvant Desai
Non Executive Independent Director
Former ED - Refinery Finance - HPCL

4 Mr. Najib Shah
Non Executive Independent Director
Former Chairman of the Central Board of Excise &
Customs (CBEC)

5 Dr. M Mathisekaran
Non Executive Independent Director
Former Director General, Ministry of Labour, GoI

6 Mr. Ananth Narayan Gopalakrishnan
Non Executive Independent Director
Associate professor in SPJIMR, Mumbai
Former Co- head Standard Chartered Bank

7 Mr. Ajay Mahajan
Managing Director & CEO,
CARE Ratings

Senior Management Team



Ajay Mahajan
Managing Director & CEO



T. N. Arun Kumar
Executive Director &
Chief Ratings Officer



Mehul Pandya
Executive Director



Navin Kumar Jain
Executive Director &
Company Secretary

Senior Directors



**Revati
Kasture**



**Milind
Gadkari**



**Swati
Agrawal**



**Sanjay
Agarwal**



**Amod
Khanorkar**



**Padmanabh
Bhagavath**



Madan Sabnavis
Chief Economist



Umesh Ikhe
Chief Technology Officer



Bharat Adnani
Chief Financial Officer



Sandeep Palodkar
Director & Head HR

26th Annual General Meeting

CARE Ratings hosted its 26th Annual General Meeting on 30th September 2019 at Shanmukhananda Hall, Mumbai



From left: Dr. M. Mathisekaran, Non – Executive Independent Director; Ms. Sonal Guvant Desai, Non Executive Independent Director; Mr. T. N. Arun Kumar, Former Interim CEO; Mr. S. B. Mainak, Former Chairman; Mr. Adesh Kumar Gupta, Non Executive Independent Director; Mr. V Chandrasekaran, Non Executive, Director & Mr. Najib Shah, Non Executive Independent Director



CARE Ratings Conversations

In continuation of our quest to provide a stimulating platform to discuss and deliberate, CARE Ratings hosted its flagship event “Conversations” across branches:



Mumbai:

On 19th December 2019 at Hotel Trident, Bandra Kurla Complex. “Has the financial crisis ended?” was discussed by an expert panel comprising Mr. Rashesh Shah, Chairman & CEO, Edelweiss Group; Mr. Neelkanth Mishra, Managing Director, India Strategist, Credit Suisse, Mr. T. N. Arun Kumar, Executive Director, CARE Ratings and Mr. Mehul Pandya, Executive Director, CARE Ratings. The audience comprised senior officials across industries.



Ahmedabad:

On 20th February, 2020 at Courtyard by Marriott. “Infrastructure Growth - Key to Economic Revival” was discussed by an expert panel comprising Mr. Maheswar Sahu, Retd. IAS, Chairman, IRM Energy Limited; Mr. Sunil Parekh Founder Curator, World Economic Forum; Mr. Ravi B, Former CFO, Adani Port & SEZ Limited and Mr. T. N. Arun Kumar, Executive Director, CARE Ratings. The discussion panel was moderated by Mr. Mehul Pandya, Executive Director, CARE Ratings.





Delhi:

On 19th February 2020 at The Shangri La's - Eros Hotel, Delhi. Chief Guest and Keynote Speaker was Mr. Najib Shah, Chairman of the Central Board Excise & Customs (CBEC) (Retd.). From CARE Ratings Mr. T. N. Arun Kumar, Executive Director; Mr. Mehul Pandya, Executive Director and Ms. Swati Agrawal, Senior Director were part of the discussion panel.



Kolkata:

On 17th January 2020 at Taj Bengal. "Has the financial crisis ended" was discussed by an expert panel comprising of Mr. Ananth Narayan Gopalakrishnan, Professor SPJIMR; Mr. T. N. Arun Kumar, Executive Director, CARE Ratings and Mr. Mehul Pandya, Executive Director, CARE Ratings.



Pune:

On 3rd June 2019 at JW Marriott Hotel. The speaking panel had Mr. T. N. Arun Kumar, Executive Director and Mr. Mehul Pandya, Executive Director. The panel gave their insightful views about the current happenings in the economy and the credit rating space.

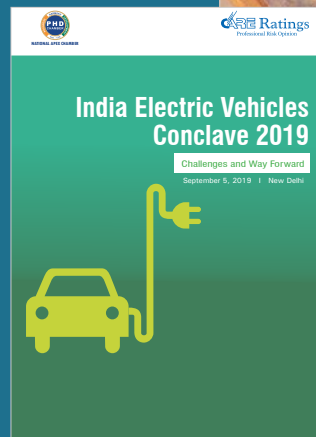
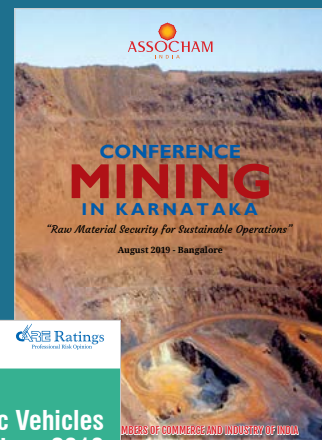
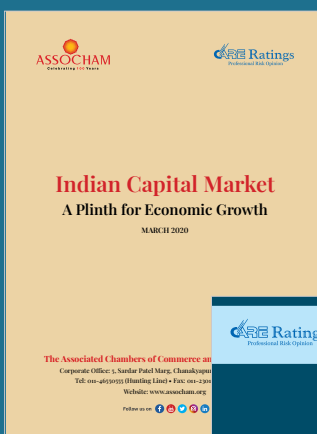


Roads and Renewables Conference

CARE Ratings held its Roads and Renewables Conference on 6th March 2020 at hotel Trident BKC, Mumbai. CARE Ratings released its Knowledge Paper “Volume Forecasts: Determining Viability or Creating Liability?” at this event. Mr. Sadashiv Rao, CEO, NIIIF Infrastructure Finance Ltd. delivered the keynote address, along with Mr. T. N. Arun Kumar, Executive Director, CARE Ratings and Mr. Amod Khanorkar, Senior Director, CARE Ratings. Topical Issues facing Roads and Renewable Sector was discussed by an eminent panel comprising of Mr. Kailash Vaswani, President and Dy CFO, Renew Power P Ltd.; Mr. Manoj Gupta, Head, Infrastructure Debt Fund, Kotak Group; Mr. Paresh Mehta, CFO, Ashoka Buildcon Ltd and Mr Shiva Rajaraman, CEO of L&T Infra Debt Fund Ltd. The Session was moderated by Mr. Mehul Pandya, Executive Director, CARE Ratings Ltd. There were presentations made by CARE Ratings team on Roads Sector by Rajashree Murkute and Maulesh Desai and on Renewables Sector by Hardik Shah & Kunal Arora. The vote of thanks was delivered by Mr. Milind Gadkari, Senior Director, CARE Ratings.



CARE Ratings Knowledge Partnerships:



CARE Ratings Knowledge Partner Representations



1. Mr. T. N. Arun Kumar, Executive Director, CARE Ratings, as a panel speaker at Assocham's 12th Capital Market Summit, "Efficient Governance and Enhancing Market Participants", 4th March, 2020 at Hotel Four Seasons, Mumbai
2. Mr. T N Arun Kumar, Executive Director, CARE Ratings at India Green Energy Awards, 21st December 2019. The episode was aired on CNN 18 news channel and he was invited as a panelist. Ms. Swati Agrawal, Senior Director was the jury member for this award selection
3. Ms. Swati Agrawal, Senior Director, CARE Ratings at the National Conference on Real Estate and Housing Finance in India held on 27th November, 2019 at New Delhi.
4. Ms. Swati Agrawal, Senior Director, CARE Ratings at 16th National Awards for Excellence in Cost Management' at the behest of Institute of Cost Accountants of India (ICAI), 25th October 2019. Union Minister of State for Finance and Corporate Affairs Mr. Anurag Thakur and Mr. S.C. Garg; the Secretary, Ministry of Power distributed the awards to the winners.
5. Ms. Swati Agrawal, Senior Director, CARE Ratings at PHD Chambers' India Electric Vehicles Conclave 2019 – Challenges & Way Forward, 5th September, 2019 at New Delhi.
6. Ms. Swati Agrawal, Senior Director, CARE Ratings at India Steel Summit 2019 held on 25th October, 2019. Mr. Ajay Dhaka, Associate Director, CARE Ratings also spoke on outlook of global and domestic steel industry
7. Mr. Saikat Roy, Director, CARE Ratings as a moderator and panelist at 4th IPF Industrial Excellence Awards 2019, 16th January 2020 at Mumbai. CARE Ratings was a knowledge partner for this event.
8. Mr. Saikat Roy, Director, CARE Ratings at Global Real Estate Brand Awards, 16th July, 2019 at ITC, Bengaluru
9. Mr. Karthik Raj K, Associate Director, CARE Ratings at ASSOCHAM's Conference on Mining in Karnataka – Raw Material Security for Sustainable Operations, 29th August 2019, Bengaluru

Corporate Social Responsibility



On behalf of CARE Ratings Ms. Swati Agrawal, Senior Director & Mr. Sudhir Kumar, Associate Director donated:



1. One Water Cooler with Three Purifiers and One Projector with Screen to H.M.D.A.V school ,Daryaganj, New Delhi on 10th May, 2019
2. One Water Cooler with One Purifier and One Water Tank was donated to Govt. Boys Sr. Sec. School, Connaught Place, New Delhi on 10th May, 2019.

3. On behalf of CARE Ratings Mr. Anand Prakash Jha, Associate Director donated water coolers to Government Primary School Dualat Singh wala and Government Middle School Zirakpur, District SAS Nagar, Punjab in April, 2019



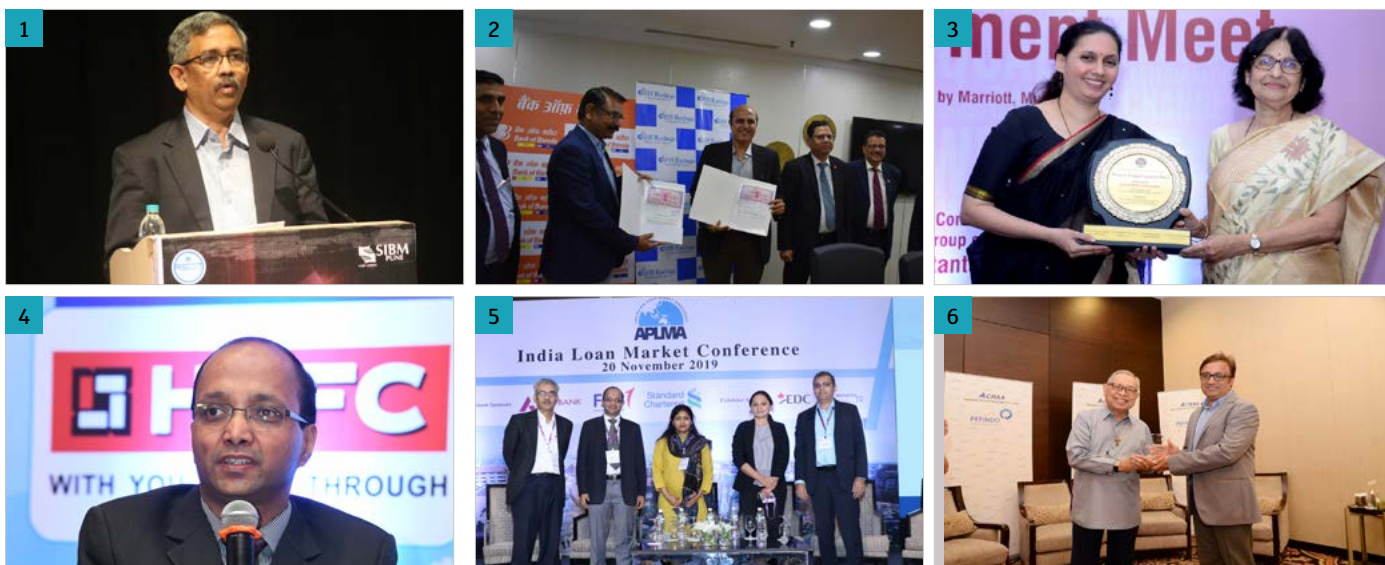
4. Mr. Deepak Prajapati, Director, inaugurated a Multipurpose Hall at Nareshwadi campus of Somaiya Trust, which was completely renovated and refurbished by CARE Ratings - Jan 2020



Ms. Priti Agrawal, Director, Mr. Lalit Sikaria, Associate Director and Mr. Arindam Saha, Associate Director at CARE Ratings' Kolkata Regional Office coordinated for the following donations:

5. One Water Cooler & One Water Purifier to KMPC School in Kidderpore, Kolkata, 2nd April 2019.
6. One Water Cooler & One Water Purifier to KMPC School in Park Circus, Kolkata, 19th February 2019.
7. One Water Cooler & One Water Purifier to KMPC School in Kalighat, Kolkata, 18th April, 2019.

Events and Representations



1. Mr. T. N. Arun Kumar, Executive Director, CARE Ratings was invited as a Keynote Speaker for Budget Symposium 2020 event at Symbiosis Institute of Business Management (SIBM), Pune on 28th Feb 2020.
2. CARE Ratings signed Memorandum of Understanding (MOU) with Bank of Baroda for SME Ratings to assess the credit quality of Bank of Baroda's existing and prospective customers in the small and medium enterprises (SME) segment, on 31st January 2020. Mr. Mehul Pandya, Executive Director represented CARE Ratings and Mr. Vikramaditya Singh Khichi, Executive Director was present on behalf of Bank of Baroda .
3. Ms. Revati Kasture, Senior Director was a panelist in ICAI Women's Empowerment Meet, 26th December 2019, Mumbai.
4. Mr. Sanjay Agrawal, Senior Director, CARE Ratings was invited as a speaker at 8th Securitisation Summit 2018, 10th May 2019 at Hotel Four Seasons, Mumbai.
5. Mr. Sanjay Agarwal, Senior Director was invited as speaker at India Loan Market Conference on 20th November 2019. This was organized by Asia Pacific Loan Market Association (APLMA)
6. Mr. Amod Khanorkar, Senior Director, CARE Ratings was Key Resource Speaker at ACRAA conference on Advanced Analysis of Infrastructure Projects: Energy and Tollways, 25th & 26th July 2019, Jakarta, Indonesia



CARE Ratings (Africa) Pvt. Ltd. (CRAF)



During the financial year under review (FY20), the Company has assigned ratings to 28 corporates of Mauritius including renowned Corporates like The Mauritius Commercial Bank Ltd., Bank One, CIEL, CIM, Leal, Omnicane, Alteo, MUA and ENL. In FY20, CRAF has assigned credit ratings to bank facilities and bond issue aggregating to around Mur 40.0 billion (Mur 21.0 billion in FY19). There has been an increase in awareness about the concept of Credit Rating among Banks and Corporates and clear understanding of the benefits from such Ratings.



Mr. Mehul Pandya, Executive Director, CARE Ratings & Director CARE Ratings Africa (CRAF) delivered a keynote Presentation at a Seminar on “Development of Bond Market” at Mauritius on 25th September, 2019. The Seminar was attended by all leading players from the corporate and financial world of Mauritius. The Second Deputy Governor of Bank of Mauritius (Banking Regulator), The Director Supervision from Financial Services Commission (Capital Market Regulator), CEO of MCB Capital Markets, CEO of State Bank of Mauritius and CEO of CARE Ratings Africa, Saurav Chatterjee, were the other speakers at the event.

CARE Ratings Nepal Ltd. (CRNL)



CARE Ratings Nepal Ltd. held its 3rd Annual General Meeting on 21st Nov 2019 at Radisson Hotel, Kathmandu.

(From left - Mr. Sujit Shrestha – Company Secretary and Compliance Officer, Mr. Sajan Goyal – CEO, Mr. Mehul Pandya - Director, Chairing the AGM, Dr. Binod Atreya- Director)



CARE Ratings Nepal participated in Annual Risk Management Conference at Hotel Hyatt, Kathmandu in August 2019

From Left: Mr. Sajan Goyal, CEO, CRNL along with Dr. Chiranjibi Nepal, Ex. Governor of Nepal Rastra Bank



CARE Advisory Research & Training Ltd. (CART)



CARE Training carried forward its momentum during FY 2019-20. In FY 2020, CARE Training under CARE Advisory Research & Training (CART) developed and executed pilot programs such as High Value Credit, Credit Risk Pricing, Credit Monitoring, Advanced Trade Finance & SWIFT, Cash Flow Statement Analysis, Advanced IFRS- IndAS, Wealth Management and Risk Management. CARE Training also executed behavioural and sales training such as High Pitch Sales Training, Stress Management and Work Life Balance.



CART celebrated 3rd Anniversary of its incorporation at a function held at Courtyard by Marriott, Andheri (E), Mumbai on 6th September, 2019. During the event, CARE Training (division of CART) also announced the Launch of on-line “Certificate Course in Risk Management (CCRM)”. The course was launched by Shri Dinabandhu Mohaptra, former MD of Bank of India. CCRM is developed in order to assist in capacity building in the field of Risk Management. The course is delivered through on-line mode and is designed to fully capture the essence of RBI guidelines on capacity building in the field of “Risk Management” for Banks and Financial Institutions.



CARE Risk Solutions Pvt. Ltd. (CRSPL)

CARE Risk has the soul of an agile start up with the maturity of an established specialist in creating and delivering advanced technology solutions for its customers. Our exceptional product and immaculate implementation framework has helped us to partner with the best names in the Financial Technology globally and regionally.

The company's testimony is on 3 important strengths

- Excellent Thought Leaders supported by an excellent team. We have built state of the art banking products which are successfully operational across diverse geographies, cultures and banking regulations.
- The Company has 80+ implementations spread over 10 countries across India, Sri Lanka, Bhutan, ASEAN (Cambodia, Philippines and Vietnam), in Middle East and Africa region etc., shows the acceptance of the solution offered.
- CARE Risk has been recognized and rewarded for its pioneering efforts with following awards - Winner of "Best in class IFRS-9 ECL Modelling" - 2019 and "Technoviti Awards 2020".



Webinars

As part of knowledge dissemination initiative CARE Ratings hosted Live 34 Interactive Webinars on Industry & Economics for the period April 2019 to March 2020



CARE Ratings in Media

Print

CARE Ratings Reports, Insights, Management and Industry Expert quotes were widely covered across media.

Brent may cross the \$70 a barrel mark: Care Ratings

Brent may cross the \$70 a barrel mark: Care Ratings

Mumbai, Jan 4 (ANS) International benchmark Brent crude may surpass the \$70 a barrel mark owing to a major escalation in tension between the two biggest oil producing nations, the US and Iran following a US airstrike killing one of Iran's most powerful military commanders, General Qasem Soleimani.

Brent crude prices closed 2.55 per cent higher at \$68.60 a barrel (BBI) on Friday after surging as much as \$69.50 a barrel.

Commercial mining in India could be limited in the longer term by a move towards clean energy: Care Ratings

Opening up of the coal sector for commercial coal mining is expected to encourage private players to participate in the auctions, however, it could be limited in the longer term by the move towards clean energy which can evoke constrained interest by new players, said Care Ratings.

India Inc's retail debt-raise dips in April-Dec...

Impact of MFPI, QIB, credit circles, growth private placements up

India Inc's retail debt-raise dips in April-Dec...

'Rise in deposit insurance cover may push up premium by over 50%'

In its analysis of the hike in deposit insurance to ₹5 lakh from ₹1 lakh, CARE Ratings said the insurance premium will go up by 20 per cent, with the possibility of the government increasing the limit on premium collected by the Deposit Insurance and Credit Guarantee Corporation (DICGC).

15 policies/₹100k limit: Aapka DICGC Aai 1991 premium payable. Itayin insurance ke andohtar account 100000 per annum for every ₹100 of the total amount of deposits in banks and post office of insured.

MOVEMENT IN INSURANCE COVERAGE LIMIT

EFFECTIVE INSURANCE

PERCENTAGE OF INSURED DEPOSITS

Industry confidence fell sharply in Q2

MUMBAI: Industry confidence has fallen sharply in the quarter ended September 2019 to the lowest level in six quarters, according to a report by rating agency CARE. Its Confidence Index has fallen sharply due to negative responses on expectations of revenue, pricing power, rating changes and interest coverage.

AGRICULTURE, ALLIED INDUSTRIES

OIL AND GAS

ROADS

Min 2 - 2 - 2020 19.23

Bloomberg Quint Markets Business Videos BQ Blue Exclusive Personal Finance

August 21, 5:34 PM

Credit Rating Amendments To Empower Us: CARE Ratings

CARE Ratings said that the amendments made for credit rating agencies will empower them to do their job better.

THE HINDU - 22/4/2019 BUSINESS REVIEW 13

What's in store for the economy in FY20

TOP RISKS FOR THE INDIAN ECONOMY

RISKS ASSOCIATED WITH FISCAL SLIPPAGE

ISSUES WITH BANK CREDIT GROWTH

DRIVERS OF INFLATION

Care Ratings says 17 banks have bad loan ratio above 10%

These private banks had 10% of loans that are 2% and eight had between 2% and the between 5-10%. DIBI Bank, LICD Bank and Indian Overseas Bank had 10% ratio of above 2% and one was very near at 11%.

Published by: 16, 2019 12:01:07

Source: Business Standard

Commodities

India becomes net importer of refined copper after 18 years: Care Ratings

PTI New Delhi | Updated on October 21, 2019 | Published on October 21, 2019

The closure of Vedanta's copper smelter plant at Tuticorin in Tamil Nadu.

THE ECONOMIC TIMES - 10-7-2019

Auto, chemical, cement, real estate and NBFCs see fall in credit quality, says CARE; IT, power transmission, healthcare and hospitality report improved credit ratio

Rate of Downgrades Accelerates on Liquidity Pressure, Weak Margins

In Fall Season

Month	MCPI	MCPI	MCPI
Jun-16	1.0	12.6	94.3
Jul-16	1.2	20.4	82.7
Aug-16	1.1	17.9	6.9
Mar-17	1.0	18.1	92.4
Sep-17	1.0	19.2	11.1
Dec-17	1.1	18.1	90.0
Mar-18	1.1	18.2	7.6

THE ECONOMIC TIMES - 16-7-2019

Wholesale inflation at 23-mth low

Truvis News Network

MOVING SEPARATE WAYS

— CPI (%) — WPI (%)

5.07 5.7

New Delhi: A fall in energy prices and a moderate rise in prices of manufactured goods helped wholesale price-based inflation slow down for the second straight month and to...

THE ECONOMIC TIMES - 10-7-2019

Auto, chemical, cement, real estate and NBFCs see fall in credit quality, says CARE; IT, power transmission, healthcare and hospitality report improved credit ratio

Rate of Downgrades Accelerates on Liquidity Pressure, Weak Margins

Financial Express - 8-4-2019

EXPERT VIEW

AT&C losses at -19.8% (March, 2019) vs the targeted 15% under UDAN are a concern. A few SAUBHAGYA beneficiary states, including J&K, UP, MP, Bihar and Rajasthan, continue to have AT&C losses of over 25% — CARE Ratings

DATA MONITOR

Renewables account for FY19 capacity growth

Total electricity generated in the country in the April-January period grew by 5.7% y-o-y, against 5.3% in the year ago period. Renewable energy sources recorded 25.2% y-o-y growth in production. There was net capacity addition of 6.1 GW over the April-February period, with solar and wind power accounting for 95% of the capacity addition and hydro power projects the rest.

Power generation by Source

Source	Apr-19 (%)	Apr-18 (%)
Thermal <td>78</td> <td>78</td>	78	78
Nuclear <td>RES* <td>RES*</td> </td>	RES* <td>RES*</td>	RES*
Hydro <td>88</td> <td>88</td>	88	88
Wind <td>45.3</td> <td>7.8</td>	45.3	7.8
Solar <td>272.9</td> <td>23.1</td>	272.9	23.1

Total installed capacity

Source	Apr-19 (MW)	Apr-18 (MW)
Thermal <td>349</td> <td>349</td>	349	349
Nuclear <td>RES* <td>RES*</td> </td>	RES* <td>RES*</td>	RES*
Hydro <td>68</td> <td>68</td>	68	68
Wind <td>45.3</td> <td>7.8</td>	45.3	7.8
Solar <td>272.9</td> <td>23.1</td>	272.9	23.1

Peak and base deficit (in %)

Base rate (2019) -0.5

Peak rate (2019) -0.5

Source: CEA, NRE, "RES Renewable Energy"

Financial Express - 6/5/2019

EXPERT VIEW

Among infra sectors, cumulative expenditure in power has been the highest, with 65.6% of the anticipated costs already met. Among the large sectors, railways has seen the lowest cumulative expenditure of 24% — CARE Ratings

DATA MONITOR

Total projects under implementation and completion timeline

Breakup of outlay by sector


Power projects ahead in terms of spend


For the 1,426 central infrastructure projects (costing ₹150 crore & above) under implementation, ₹8,077 bn or 37.8% of the anticipated cost of ₹21,347 bn has been spent so far. Five sectors — railways, roads, power, petroleum, and urban development — account for 87.7% of the total projects by value. Power, roads, railways and petroleum were the major sectors which witnessed completion of most projects (85 out of 100) up to December, 2018.



Project outlay by sector and cumulative expenditure met



Power: 65.6%, Roads: 32.7%, Railways: 24%, Petroleum: 30%, Urban Development: 44.1%, Others: 48.1%



TV



- 1  Mr. T. N. Arun Kumar, Chief Ratings Officer on CNBC TV18 - SEBI guidelines - 14-6-2019


- 2  Mr. T. N. Arun Kumar, Chief Ratings Officer on TVI - CRA disclosure norms - 13-06-2019

- 3  Mr. Mehul Pandya, Executive Director on CNBC Awaaz – Company & Industry Outlook - 27-02-2020
- 4  Ms. Revati Kasture, Senior Director on ET NOW - CRA disclosure norms - 14-06-19

- 5  Mr. Milind Gadkari, Senior Director on BloombergQuint – SEBI guidelines - 30-3-2020
- 6  Mr. Sanjay Agarwal, Senior Director on CNBC TV18 - Rating Trends - 8-5-2019

- 7  Mr. Sanjay Agarwal, Senior Director on BloombergQuint - NHB Report - 22-7-2019
- 8  Mr. Amod Khanorkar, Senior Director on CNBC TV18 – Bharatmala Roads Project – 3-5-2019

- 9  Ms. Smita Rajpurkar, Associate Director on ET Now – CARE Ratings Debt Quality Index (CDQI) - 18-2-2020
- 10  Mr. Gaurav Dixit, Associate Director on CNBC Bazaar – Telecom AGR dues - 20-2-2020

- 11  Mr. Arindam Saha, Associate Director on CNBC TV18 - Housing Affordability - 18-7-2019
- 12  Dr. Rucha Ranadive, Economist on ET Now – CARE Ratings' Survey on Covid Impact – 17-3-2020

Twitter

Livemint @livemint

Q4 growth may not be negative but can go down to 1.5-2.5%. The economy was slated to grow by Rs 1.74 lakh crore in Q4 or by 4.7%, says rating agency



Business Line @businessline

Even as the government's new amendments will benefit wind project developers, land acquisition continues to be one of the major impediments for timely completion of projects, according to a note by #CAREatings.



BloombergQuint @BloombergQuint

India turns refined copper importer after 18 years: CARE Ratings

Read more: bit.ly/2J8WdNq



Economic Times @EconomicTimes

If the 21-day long national #lockdown leads to 80% production loss, the economy will take a hit of Rs 35,000-40,000 cr on a daily basis, shaving off Rs 6.3-7.2 lakh crore cumulatively, says #CareRatings



CNBC-TV18 News @CNBCTV18News

CARE Ratings lists three reasons for rising onion prices.

#OnionPrices #onions



Onion prices are likely to remain high until next year. Here's why

CNBC-TV18 News @CNBCTV18News

#OnCNBCTV18 | TN Arun Kumar, ED, CARE Ratings says default rates can't deviate too much away from the benchmark rates; @SEBI_India wants to bring uniformity in quality of ratings across agencies @latha_venkatesh @soniashenoy



BloombergQuint @BloombergQuint

Tighter disclosure on load defaults will remove the asymmetry of information that ratings agencies face in the bank loan market says TN Arun Kumar interim CEO of CARE Ratings.

Read more: bit.ly/30pbUrK



Economic Times @EconomicTimes


CARE Ratings pointed that most of the core industries have witnessed 'virtually negative growth in headcount'.



Employment growth in India slowed in last two years: CARE Ratings
As per the study, the aggregate headcount or employment increased at a CAGR of 3.3% over a four-year period from 2014-15 to 2018-19 compared with a CAGR of 7.5% in ...
@economictimes.indiatimes.com

ET Industry News @ETIndustryNews

Steel consumption likely to grow by 5-6 per cent this year: CARE Ratings #ETIndustryNews



Steel consumption likely to grow by 5-6 per cent this year: CARE Ratings
In the domestic market, steel prices are likely to be supported by a stable demand outlook.
@economictimes.indiatimes.com

Financial Express @FinancialExpress

Credit profiles of the nation's companies worsened to a 19-month low in July, according to a CARE Ratings index that tracks 1,601 local firms.



Default risks are increasing as investors wait stimulus measures from Modi government
Government measures to kick-start the economy may help investors regain confidence

Office of R.K. Singh @OfficeOfRKSingh

As per #CARE Ratings, #Saubhagya gains likely to show in FY20 in which Power production in India is estimated to increase by 5-6%.

Saubhagya gains likely to show in FY20

Power production in India is estimated to grow by 5-6% during FY20, with the benefits of improved demand from newly connected households expected to kick-in during the fiscal, CARE Ratings has said. It also expects auctions for medium-term PPAs to increase during FY20 - in addition to the 5-GW capacity already auctioned in FY19 - with the measure likely to offer respite to some of the sector's stressed thermal power capacity.

Power production (by source and Total)			Installed capacity (a) by source		
Bottom units (B.U.)	Total	Growth y-o-y	Thermal	Hydro	Renewable Energy Sources
1,118	1,308	5.3%	69	15.3	45.4
1,375	1,375	5.1%	69	15.3	45.4



PNB Housing fights rating to raise \$1bn
Fund raising move comes after CARE Ratings placed facilities of the housing finance

The Telegraph @tindia

The fund raising move comes days after CARE Ratings placed various facilities of the housing finance company under "credit watch".

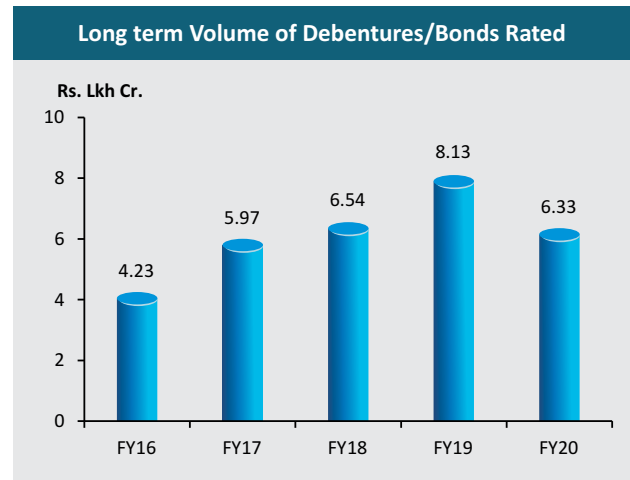
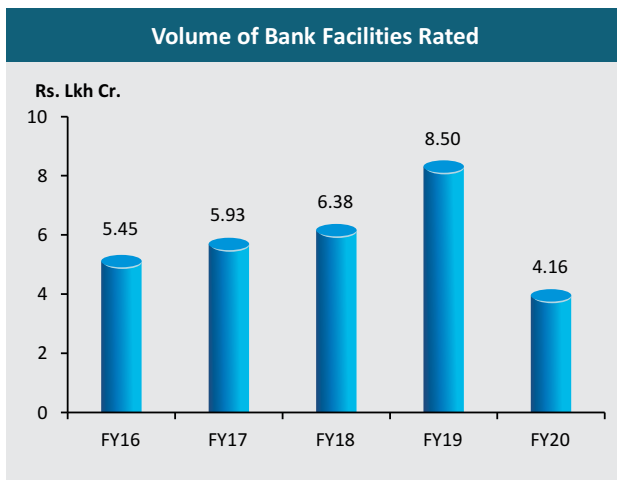
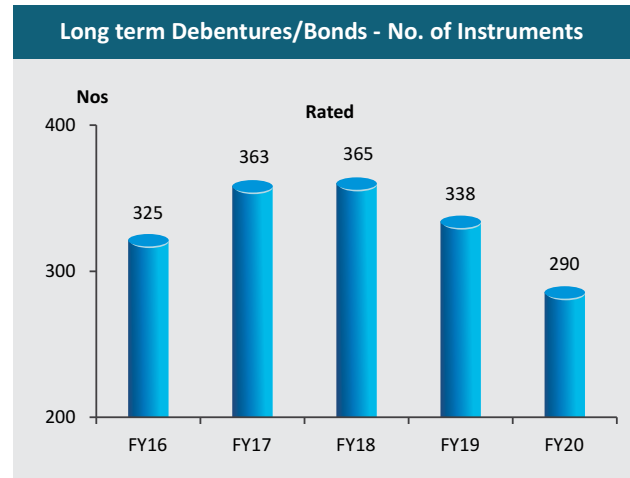
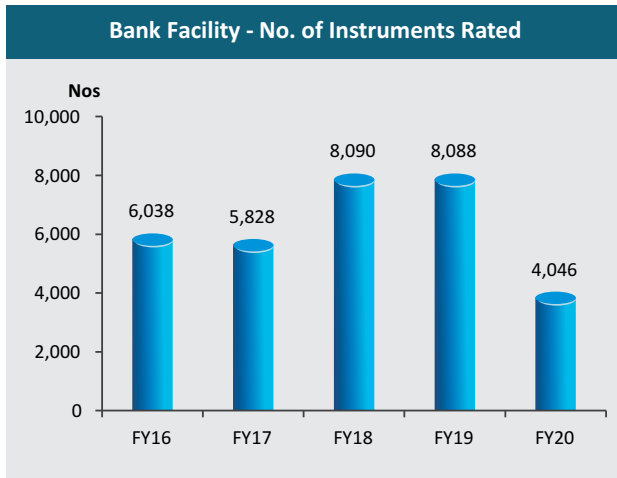
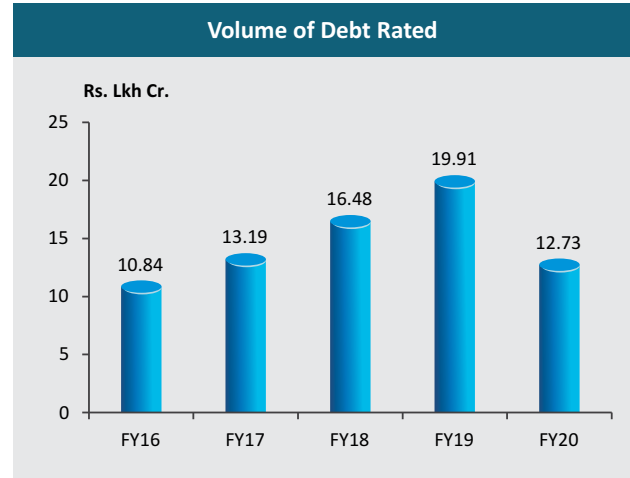
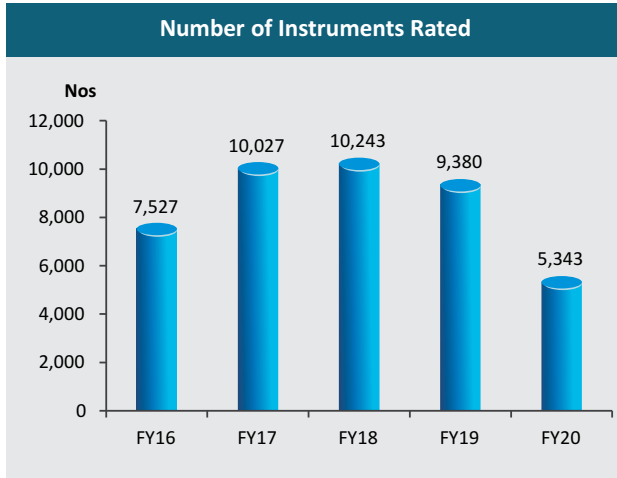
Business Standard @bsindia

Large, medium enterprises see 7-year fall in credit quality in April-Dec

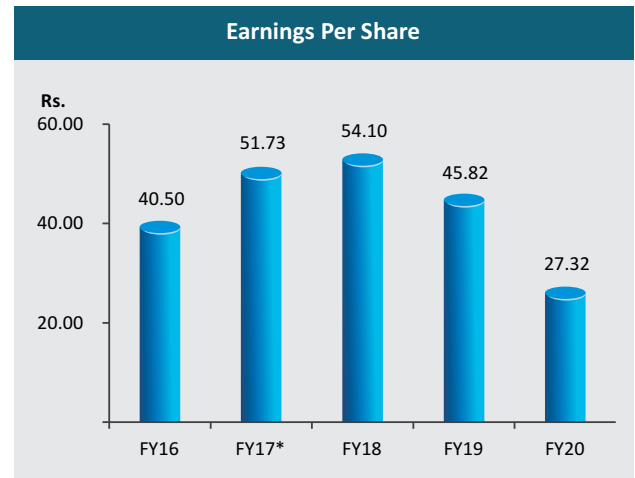
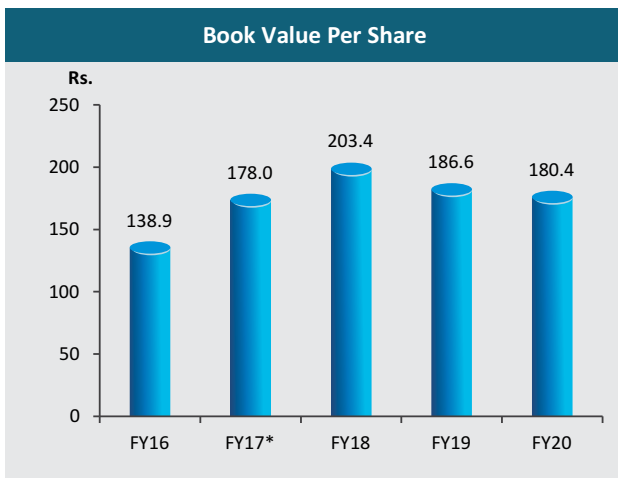
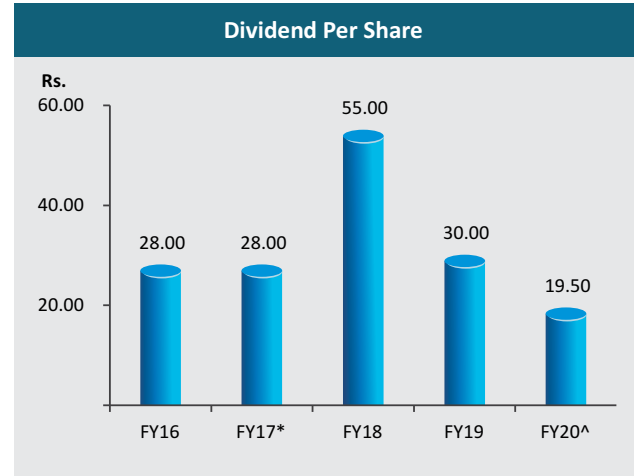
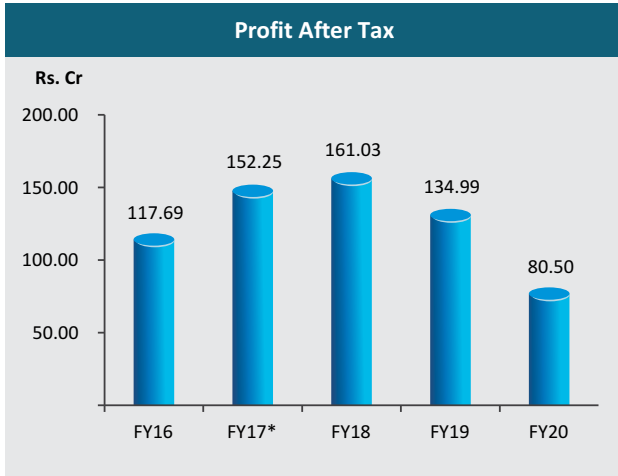
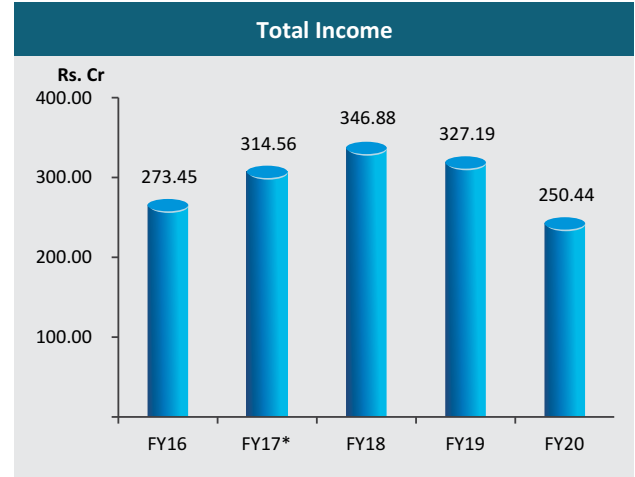
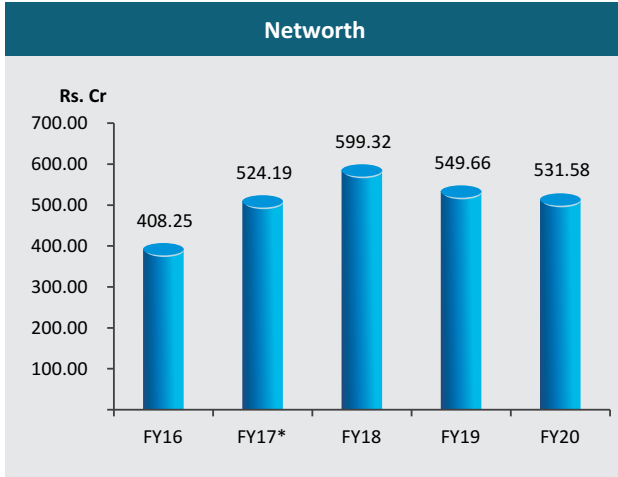
The asset quality deteriorated for SMEs as well but with lesser intensity: #CAREatings



Performance snapshot



Performance snapshot



*Restated as per IndAS

^Proposed dividend of Rs.2.50 declared in Q4 FY 20 is considered in FY20

DIRECTORS' REPORT

Your Directors are pleased to present the Twenty Seventh Annual Report of your Company along with the audited Financial Statements for the year ended March 31, 2020.

Financial Performance

Your Company's Financial Performance for the year ended March 31, 2020, is summarized below:

Summary Financial Performance

(Rs crore)

<i>Particulars</i>	<i>For the year ended March 31, 2020</i>	<i>For the year ended March 31, 2019</i>
Income from Operations	219.10	297.36
Other Income	31.34	29.83
Total Income	250.44	327.19
Total Expenditure	150.19	129.15
Profit Before Tax (PBT)	100.25	198.04
Provision for Tax	19.75	63.05
Profit After Tax (PAT)	80.50	134.99
Other comprehensive Income/(loss)	-0.70	-2.04
Total Comprehensive Income for the period	79.80	132.95
Appropriations		
Interim Dividend	50.08	53.03
Tax on Interim Dividend	10.29	10.90
Final Dividend	35.35	109.01
Tax on final dividend	7.27	22.41
Total (Dividend Outflow)	103.00	195.35
Transferred to General Reserve	3.22	-

* Proposed Dividend of Rs.2.50 per equity share declared in Q4 FY 20 is not considered in FY 20 as per Ind AS Accounting.

- Total income for the year is Rs 250.44 crore compared with Rs 327.19 crore in FY19.
- Other income had increased from Rs 29.83 crore in FY19 to Rs 31.34 crore in FY20.
- Total expenditure increased by 16.3% in FY20 largely on account of:
 1. Depreciation costs which increased by Rs. 3.84 crore (amortization on leased properties on adoption of Ind AS 116 "Leases" and fresh capitalization of assets);
 2. One-time cost on forensic audit, SEBI penalty and COVID 19 provisions (Rs. 7 crore); and
 3. Salary expenses which rose by Rs.10.54 crore (due to salary revision, general increments and new hiring) that was offset by savings on ESOP costs by Rs.7.39 crores since ESOP vesting date ended on August 31, 2019 leading to net increase in employee cost by Rs. 3.15 crore.

Dividend

Your Company paid a total interim dividend of Rs.17/- per equity share amounting to a payout of Rs. 60.38 crores including Dividend Distribution Tax (DDT). The Board has recommended final dividend of Rs. 2.50/- per equity share amounting to a payout of Rs.7.37 crore for FY 2019-20, to be approved at the ensuing Annual General Meeting. The dividend would be paid in compliance with the applicable rules and regulations. In terms of Regulation 43A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Dividend Distribution Policy is appended as **Annexure-I** to the report and is available on the website of the Company at www.careratings.com.

Transfer to Reserves

On account on ESOPs lapsed on resigned employees, Rs.3.22 crore has been transferred to the General Reserve of the Company during the said period.

Share Capital

The Authorised Share Capital of your Company is 3,00,00,000 Equity Shares of face value Rs.10/- each amounting to Rs. 30,00,00,000/- (Rupees Thirty Crore only) and the Paid-up Share Capital is 2,94,61,214 Equity Shares amounting to Rs. 29,46,12,140 /- (Rupees Twenty Nine Crore Forty Six Lakh Twelve Thousand One Hundred and Forty only). During the financial year ended March 31, 2020, the Company has not issued and allotted any equity shares.

Extract of Annual Return

Pursuant to the provisions of Section 143(3)(a) of the Companies Act, 2013, the extract of Annual Return for the financial year ended March 31, 2020 in MGT-9 in accordance with Section 92(3) of the Companies Act, 2013 read with Companies (Management and Administration) Rules, 2014 is available on the website of the Company at www.careratings.com and is also appended as

Annexure- II.**Economic Backdrop: 2019-20**

The Indian economy slowed down with GDP growth moderating to 4.2% in 2019-20, the lowest rate in the 2011-12 GDP series and lower than 6.1% witnessed in 2018-19. The lockdown in the last week of March 2020 did impact the year end business targets achievements of several entities.

The slowdown in the economy during the year can be ascribed to sluggish growth in consumption expenditure, sharp decline in investment activity and negative exports growth. The investment rate in the economy declined during 2019-20 to 26.9%, which is the lowest rate since 2000-01. The rate is significantly lower than 34.3% achieved in 2011-12. The decline in the investment rate in the economy is also reflected in the low capacity utilization rates as per the RBI's survey. The capacity utilization has declined steeply in Q2 and Q3 of 2019-20 and the utilization rate achieved in Q3 is at its lowest level since Q1 of 2008-09.

Industrial output going by the Index of Industrial production contracted by 0.7% in 2019-20, negative annual growth for the first time since the commencement of the new series in 2011-12. Industrial production had recorded a growth of 3.8% in 2018-19.

Corporate performance has been subdued during 2019-20. Our study on corporate performance for a sample of 1706 companies reveals a decline in sales by 0.7% with net profit falling by 37%.

Bank credit growth declined to 33-year low of 6.1% in 2019-20 compared with 13.3% in the previous year. The notable decline in bank credit growth has been on account of weak growth to the services and industrial segment. Growth to manufacturing was lower at 0.7% as against 6.9% in FY19, with micro, small and medium units witnessing negative growth. Growth in credit to services was lower at 7.4% as against 17.8% in FY19.

In 2019-20, total corporate bond issuances aggregated Rs 6.9 lakh crs, 6.6% higher than the issuances of Rs 6.46 lakh crs in 2018-19. Among sectoral issuances, the highest was banking and term lending at 35%, followed by financial services (17%) and housing finance (13%). In terms of sectoral growth in issuances in 2019-20, 21% growth was recorded in the banking segment, 62% in roads and highways and 40% in the power segment. At the same time, issuances of housing finance and financial services contracted by 28% and 20% respectively from a year ago.

Commercial Paper (CP) issuances by corporates were lower in 2019-20. Fresh issuances of commercial paper amounted to Rs. 22 lakh crore, 15% lower than in 2018-19. In terms of outstanding CPs, there was a decline of 28.6% on March 31 2020 over March 31 2019. Against the background of the NBFC crisis which started in second half of 2018, interest of mutual funds in such instruments especially from NBFCs came down.

Inflation in the country recorded mixed trend during the year with retail prices increasing and wholesale prices moderating. The RBI during the year slashed the repo rate by 185 basis points from 6.25% as of end-period March'2019 to 4.4% as of the end of 2019-20. The RBI has maintained an accommodative monetary policy stance throughout the year. This has continued in the first quarter of FY21 and is expected to remain so for the rest of the year too.

The banking system liquidity surplus had widened to almost 4.8 lakh crs in March 2020. Since February 2020, the RBI had commenced with its new programme of Long-Term Repo Operations (LTRO) to provide a boost to term lending which has subsequently been targeted to specific sectors in FY21.

GSec yields broadly declined during the year to 6.73% in 2019-20, 1% lower than a year ago. The GSec yields largely fell during the first half of the fiscal on account of fall in the policy repo rate in the economy, surplus liquidity in the banking system and benign inflation in the economy. During the second half of the fiscal, GSec yields have been pressured and elevated on account of likely fiscal slippages, weakness in the domestic currency, foreign investor outflows and growth concerns amidst the COVID-19 outbreak.

The rupee witnessed significant volatility in 2019-20, ranging between Rs.68.4/\$ and all-time low of Rs.76.3/\$. It ended the year at around Rs.75.6/\$, a depreciation of 9.3% from the start of the fiscal. In March 2020, the rupee depreciated to its all-time low level on the back of foreign investors pulling out funds and rushing towards safe haven assets amidst global growth concerns.

The performance of your company should be looked at against this background.

Major Developments

Over the past year, your company has taken various measures for strengthening the rating processes as well as analytical rigour. We had appointed external consultants for suggesting improvements in our processes and systems with a view of modernizing the same. Going forward, the processes will get augmented with the use of best digital technologies.

During the year, SEBI had directed the company to conduct a forensic audit in the matter of anonymous complaints received by it. The former MD & CEO was sent on leave and subsequently, his employment was terminated. SEBI has advised CARE to carry out an investigation in a matter relating to the former Chairman and former MD & CEO and other employees for alleged interference in the ratings. The same has been initiated.

The Board has appointed Mr Ajay Mahajan, as new MD & CEO of the Company, who has around three decades of experience in the financial sector. He will henceforth be driving the business strategies of the company.

Business operations

In FY20, in a rather challenging environment, your Company's focus was on building the client base and widening the coverage of debt rated in the market. Since inception, your company has completed a total of 81,874 rating assignments till March 31, 2020. On a cumulative basis, the amount of debt rated instruments increased to Rs. 141.10 lakh crore as of March 31, 2020.

Assignment Type (New Instruments)	Number of New debt instruments rated		Volume of new debt instruments rated (Rs. crore)	
	2019-20	2018-19	2019-20	2018-19
Short & Medium term	74	110	2,24,772	326,932
Long term	290	338	6,32,584	813,405
Bank Facility Ratings	4046	8,088	4,15,812	850,170
Others	933	844		-
Total	5,343	9,380	12,73,168	19,90,507

The above table provides information on the various aspects of the business profile and growth during the year. Certain key aspects are enumerated as under:

1. The total number of new rating assignments declined by 43.0% in 2019-20. The moderation can, in large part, be ascribed to the decline in bank facility ratings. Bank facilities accounted for around 76% of total assignments in 2019-20. There was a sharp drop (of about 50%) in bank facility rating assignments in 2019-20. This was more due to the adverse external environment which was typified by a slower growth rate in growth in bank credit to the manufacturing and services sectors – which are the segments relevant from a rating perspective.

2. The total volume of new debt rated decreased by 36.0% from Rs. 19.91 lakh crore in 2018-19 to Rs. 12.73 lakh crore in 2019-20, mainly on account of broad-based decrease in debt rated volume across categories. For the volume of long-term instruments which relate to the corporate bond market, the higher volume of 2018-19 relative to issuance at the macro level meant lower spill over for the current year. It must be noted that debt rated by us in a year may not necessarily be issued/fully issued in the same year and could be done the following year.
3. In terms of number of new debt instruments rated, the bank facility ratings witnessed a decline in share from 86.2% in 2018-19 to 75.7% in 2019-20. On the other hand, the share of short & medium-term instrument ratings increased from 1.2% to 1.4% and that of long-term instruments ratings increased from 3.6% to 5.4% in 2019-20. Quite clearly, the subdued lending conditions in the banking system impacted the rateable debt in the market.

Business during the year

Large corporates and Mid-corporates

During the year, there was an industry wide reduction in the number of new clients rated. Our focus on the large and mid-corporate segments helped in ensuring that the company does not get impacted more than the industry on this count. The important steps included constant connect with the clients and outreach to prospects.

Small and Medium Enterprises (SMEs)

The SME rating business is a small component of our business in revenue terms. However, we do attach importance to this segment considering that the SMEs of today are the large corporates of tomorrow. As highlighted, there was an industry wide decline in the number of new companies rated during the year compared with the previous year and the SME segment was relatively more impacted. CARE has put in place technology enabled models both to acquire and provide analytical services to this set of customers.

Effective from FY21, some of the product offerings on the SME side shall move to CARE's wholly owned subsidiary as a part of the regulatory requirements.

IT Initiatives:

In 2019-20, CARE Ratings' IT initiatives were focused on upgrading the existing IT infrastructure in order to support rating operations. We also upgraded our Information Security Management System (ISMS) framework and successfully implemented the rating model application integrated with core rating application. Digitizing of the rating models provided us opportunities to do assessments online with greater potential towards accuracy. We have enhanced our core business application to add new features.

The development of digital technology in IT infrastructure by your company has significantly changed the business landscape. As a result, we have managed entire business operations to run smoothly during the COVID19 epidemic.

IT has successfully enabled all employees to work from home.

The focus for 2020-21 will be on building core business applications on the new technology framework, which will integrate various applications within the organization and data sourcing tools from the market. This initiative will automate various manual processes with the help of AI / ML based models.

The COVID-19 crisis has caused unprecedented disruption to normal business activity globally. In 2020-21 the IT initiatives of your company will be based on the principles of digital transformation and adoption of a holistic digital strategy, to ensure readiness for any unforeseeable future disruptions.

Knowledge dissemination

CARE Ratings has significant knowledge at an aggregate level of economic, industrial and capital market activities and has been very proactive in reacting to events and disseminating our views immediately to our clients, regulators, government departments, opinion makers, and media houses on various issues. For this, we have three independent research teams – Economics, BFSI and Industry Insights.

CARE Ratings has continued with its monthly release of CARE Debt Quality Index (CDQI) which tracks the changes in the overall quality of debt in the economy based on a representative sample of companies in our portfolio, besides the quarterly release of Modified Credit Ratio (MCR) which looks at the trend of upgrades and downgrades. Employees are also encouraged to conduct webinars, partake in training programs and engage in outreach programs with clients on their subject, which gives them an opportunity to discuss their research with other stakeholders.

Economics

The Economics Division has always been consistent in circulating real-time domestic and global economic related updates. The division also initiates daily and monthly debt market reports- DDMU- Daily Debt Market Update and DMR- Debt Market Review. In addition, a liquidity report is published on a weekly basis. The issuances and yields in the CP and corporate bond markets are monitored on a regular basis.

Surveys have been carried out on the impact of COVID on the economy and sectors twice – before and after the lockdown, to ascertain views from industry and experts.

Sectoral Views

The Industry and BFSI research team covers over 65 sectors. Sector specialists also give their views on various developments from time to time which blend the expertise of our rating and research specialists. The inputs from Industry research team aid the rating analysts on understanding the demand-supply and outlook prospects of a particular industry.

The division also publishes thematic reports, reports on developments pertinent to the sector and updates on the tracked sectors on a regular basis. This year, the research team started publishing an Industry Confidence Index which provides an objective view of the confidence level present in the industry based on 6 touch points (of which 5 are objectively defined) for 50 industries on a quarterly basis. The 6 variables looked at are sales, profit margins, pricing power, ratings changes, interest cover and outlook. The last factor is the only subjective indicator based on our perception. This index hence reflects objectively the confidence level in industry on a quarterly basis.

Webinars

In continuation of our Knowledge Dissemination series, CARE Ratings conducted 34 webinars during FY2019-20. All key sectors from economy & public finance, industrials, banking and infrastructure were covered. Each presentation was made by a Senior Director, Sector specialist from ratings and analyst (ratings or research).

Knowledge Partnerships

CARE Ratings was associated as knowledge partners for various conferences of ASSOCHAM, PHD Chambers of Commerce and Industry, ICAI, IIPF, and ET Rise. Subjects covered were diverse and included Mining in Karnataka, steel, electric vehicles, real estate and housing finance, oil and gas and capital markets.

Media interactions

CARE Ratings' published reports, updates and newscasts on various sectors and economy are widely covered across all media. Our Senior Management team is regularly seen at prominent news channels and their views and quotes are published across major print editions and online news portals. CARE Ratings' reports and insights have often been quoted by prominent columnists, thought leaders and influencers on social media.

Challenges to industry and our plan of action

There are always two sets of challenges for a credit rating agency. The first is the evolving regulatory framework where we proactively respond and tune our processes so as to be aligned with the rules laid down. The second is external to the system where the environment determines the perimeter of business. The lines are drawn by the overall growth impetus in the economy and the investment taking place. These two factors have a bearing on the rateable universe which in turn sets limits on growth in our business. FY20 has been challenging on both counts with GDP growth slowing down and investment rate reaching the lowest level.

Our action plan is to get more diversified through our subsidiaries so that we are better prepared to build the future edifice of

the CARE Group of companies. This has the potential for growing the overall business of the Group as upside in rating business is restricted to a large extent by the buoyancy of the economy and hence, it becomes necessary to focus on the other areas to build shareholder value.

We are also focusing on areas like securitization, structured products and resolution plans within the realm of credit rating to carve a new niche for the company.

Human Resources

The level of analytical expertise has a bearing on the quality of the ratings assigned by a credit rating agency where human resources play an important role in the business. We have always believed in picking up the right talent to ensure that the appropriate skills and competencies are available for executing the business objectives and encouraging them to think independently while working in teams in order to enhance the quality of rating. We further enrich their talents by way of conducting induction and training programmes which are conducted by experts in the field. In addition, systematic training programs have been conducted to build and enhance key functional and behavioural competencies for both new recruits and existing employees.

As on March 31, 2020, we had 646 employees (compared with 633 as of March 31, 2019), with around 90% of the staff professionally qualified in the areas of management, CA, CS, legal, economics, engineering etc. holding professional or post graduate degrees.

Number of Meetings of the Board of Directors

The Board of Directors met Thirteen (13) times during the Financial Year 2019-2020 on May 21, 2019, June 21, 2019, July 17, 2019, July 31, 2019, August 19, 2019, October 01, 2019, November 04, 2019, November 18, 2019, December 20, 2019, January 14, 2020, January 27, 2020, February 07, 2020 and February 14, 2020. The particulars of meetings held and attended by each Director are detailed in the Corporate Governance Report, which forms part of this Report.

Directors Responsibility Statement

The Board of Directors, to the best of their knowledge and ability confirm that:

- i. In the preparation of the annual accounts for financial year ended March 31, 2020, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii. They have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of financial year and of the profit for that period;
- iii. They have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv. They have prepared the annual accounts for financial year ended March 31, 2020 on a 'going concern' basis;
- v. They have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and have been operating effectively;
- vi. They have devised proper systems to ensure compliance with provisions of all applicable laws and that such systems were adequate and operating effectively.

Declaration by Independent Directors

The Independent Directors of the Company have submitted the declaration of Independence as required under Section 149(7) of the Companies Act, 2013 confirming that they meet the criteria of independence under Section 149(6) of the Companies Act, 2013 and Regulation 16 (1) (b) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The Board is of the opinion that the Independent Directors of the Company possess requisite qualifications, experience and expertise in the field of finance, strategy, auditing, tax, risk advisory and financial services and they hold the highest standards of integrity.

Policy on Directors' appointment and remuneration

The Policy of the Company on Directors' appointment and remuneration including criteria for determining qualifications, positive attributes, independence of a Director and other matters provided under sub-section (3) of section 178, is appended as **Annexure - III** to this Report and also available on the website of the Company at www.careratings.com

Particulars of Loans, Guarantees or Investments under section 186

The details of Loans, guarantees and investments covered under Section 186 of the Companies Act, 2013 read with Companies (Meetings of Board and its Powers) Rules, 2014 are given in the notes to the Financial Statements forming part of this Annual Report.

Particulars of Contracts or Arrangements with Related Parties

All transactions entered into during the Financial Year 2019-20 with Related Parties as defined under the Companies Act, 2013 and Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 were in the ordinary course of business and on an arm's length basis. During the year, the Company had not entered into any transaction referred to in Section 188 of the Companies Act, 2013 with related parties which could be considered material. Accordingly, the disclosure of Related Party Transactions as required under Section 134(3) of the Companies Act, 2013 in **Form AOC-2** is not applicable.

Attention of the members is drawn to the disclosures of transactions with related parties as required under IND AS-24 set out in Notes to Accounts – Note No 35 of the Standalone Financial Statements forming part of this Annual Report

As required under Regulation 23 (1) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company has formulated a Policy on Materiality of and dealing with Related Party Transactions which is available on the website of the Company at www.careratings.com.

Material Changes and Commitments affecting the Financial Position of the Company

There have been no material changes and commitments affecting the financial position of the Company which have occurred between March 31, 2020 and the date of this report other than those disclosed in this report.

Particulars regarding conservation of energy, technology absorption and foreign exchange earnings and outgo Conservation of Energy and Technology Absorption

Your Company has taken necessary steps and initiative in respect of conservation of energy to possible extent to conserve the resources as required under Section 134(3)(m) of the Companies Act, 2013 and rules framed thereunder. As your Company is not engaged in any manufacturing activity, the particulars of technology absorption as required under the section are not applicable.

Foreign Exchange Earnings and Outgo

During the year under review, the Company has earned a foreign exchange equivalent to Rs. 2.04 Crore and has spent a foreign exchange equivalent to Rs. 0.51 Crore.

Business Risk Management

The Board of Directors of the Company has constituted a Risk Management Committee consisting of members of the Board of the Company to frame, implement and monitor the risk management plan for the Company. The composition of the Committee is in compliance with Regulation 21 of the SEBI LODR Regulations. The Company has a Risk Management framework to identify, evaluate business risks and opportunities. This framework seeks to create transparency, minimize adverse impact on the business objectives and enhance the Company's competitive advantage.

The business risk framework defines the risk identification and its management approach across the enterprise at various levels including documentation and reporting. The framework helps in identifying risks trend, exposure and potential impact analysis on a Company's business.

Corporate Social Responsibility

As a part of CARE Ratings' initiatives under Corporate Social Responsibility (CSR) in 2019-20, your Company released payments amounting to Rs.5.26 Crores (P.Y.: Rs.3.27 Crores) in areas of education, infrastructure development, community development, child welfare, art and culture and Healthcare. This also includes contribution Rs. 2 Crores to the PM CARES Fund in our country's fight with Covid 19.

The Board has constituted a Corporate Social Responsibility (CSR) Committee in accordance with Section 135 of the Companies Act, 2013. The CSR Policy has been devised on the basis of the recommendations made by the CSR Committee. The brief outline

of the Corporate Social Responsibility (CSR) policy of the Company and the initiatives undertaken by the Company on CSR activities during the year under review are set out in **Annexure-IV** of this report in the format prescribed in the Companies (Corporate Social Responsibility Policy) Rules, 2014. The CSR policy is available on the website of the Company at www.careratings.com.

Vigil Mechanism – Whistle Blower

The Company has established a vigil mechanism for Directors and Employees in compliance with the provisions of Section 177(10) of the Act and Regulation 22 of the Listing Regulations, to report their genuine concerns and to provide for adequate safeguards against victimization of persons who may use such mechanism. During the year your Company affirms that no employee of the Company was denied access to the Audit Committee. The said policy is also available on the website of the Company at www.careratings.com.

Annual Evaluation of Performance of the Board

Pursuant to the provisions of the Act and Regulation 19 of the Listing Regulations, the Board has carried out an annual evaluation of the performance of Board, Individual performance of the Directors as well as the evaluation of the working of its Committees.

The Nomination & Remuneration Committee and the Board has defined the evaluation criteria for the Board, its Committees and Directors.

The Board's functioning was evaluated after taking inputs from the Directors on various aspects, including inter alia degree of fulfillment of key responsibilities, Board structure and composition, establishment and delineation of responsibilities to various Committees, effectiveness of Board processes, information and functioning.

The Committees of the Board were evaluated after taking inputs from the Committee members on the basis of criteria such as degree of fulfillment of key responsibilities, adequacy of Committee composition and effectiveness of meetings.

The Board reviewed the performance of the individual directors on aspects such as attendance and contribution at Board/ Committee Meetings and guidance/support to the management outside Board/ Committee Meetings.

The performance evaluation of the Independent Directors was carried out by the entire Board, excluding the Director being evaluated. The performance evaluation of the Chairman and the Non-Independent Directors was carried out by the Independent Directors who also reviewed the performance of the Board as a whole.

In a separate meeting of independent directors, performance of Non-Independent Directors, performance of the Board as a whole and performance of the Chairman was evaluated, taking into account the views of executive director and non-executive director.

Subsidiaries

A. CARE Advisory Research and Training Limited

CARE Advisory Research and Training Limited (CART) is a wholly owned subsidiary of your Company which was incorporated on September 06, 2016. CART is in the business of Advisory, Research and Training.

Advisory division

CART offers services in the field of transaction advisory (valuation, IM preparation), banking services support (TEV, LIE, vetting of resolution plans, machinery cost vetting), corporate advisory (DPR, Business plan preparation, financial improvement plan, financial appraisal) and risk management services (risk related policy documents, credit assessment models).

Research Division

CART services a variety of business needs of its domestic and multinational clients with credible, high-quality research and analysis on various facets of the economy and industries.

Training Division

The Company caters to the training needs of corporates and professionals through its training programmes which are offered through on-line as well class room mode.

B. CARE Risk Solutions Private Limited

Our wholly owned subsidiary CARE Risk Solutions Pvt. Ltd (CRSPL) is a leading fin-tech company which provides risk management and financial compliance software solutions for Banking, Financial Services and Insurance (BFSI) sector with its Enterprise Risk Management suite (ERM), Asset Liability Management (ALM), Fund Transfer Pricing (FTP), International Financial Reporting Standards (IFRS) & Financial Reporting Application, lending suite and early warning systems. The focus of the organization is multi-fold and is directed at innovative disruption, digitization and hence enable financial institutions meet the compliance norms and move towards leveraging risk management from a strategic perspective. It involves robust effort on technology R&D and product compliance to central bank's regulation across geographies and rapid and timely implementation.

CRSPL has the soul of an agile start up and the maturity of an established specialist in creating and delivering advanced technology solutions for its customers. CRSPL's exceptional product and immaculate implementation framework has helped them to partner with the best names in the Financial Technology globally and regionally.

C. CARE Ratings (Africa) Private Limited

CARE Ratings (Africa) Private Limited (CRAF) is the first credit rating agency to be licensed by the Financial Services Commission of Mauritius from May 7, 2015. It is also recognized by Bank of Mauritius as External Credit Assessment Institution (ECAI) from May 9, 2016. In February 2020, CRAF has received the approval of the Capital Markets Authority of Kenya to operate as a Credit Rating Agency in Kenya under the Capital Markets Act and the Regulations and Guidelines issued thereunder.

During FY20, the Company has assigned ratings to 28 corporates of Mauritius including renowned Corporates like The Mauritius Commercial Bank Ltd., Bank One, CIEL, CIM, Leal, Omnicane, Alteo, MUA and ENL. In FY20, CRAF has assigned credit ratings to bank facilities and bond issues aggregating to around MUR 40.0 billion (MUR 21.0 billion in FY19). There has been an increase in awareness about the concept of credit rating among Banks and Corporates and clear understanding of the benefits from ratings.

D. CARE Ratings Nepal Ltd.

CARE Ratings Nepal Ltd. (CRNL) is incorporated in Kathmandu, Nepal as a credit rating agency and is licensed by Securities Board of Nepal w.e.f. November 16, 2017. CRNL has done 93 rating assignments in FY20. In a short span of time, CRNL has been able to expand its operations and has, since inception, added more than 200 clients till March 31, 2020.

Material Non-Listed Indian Subsidiary

There is no material (non-listed) Indian subsidiary of your Company as on March 31, 2020

Performance and Financial Position of Subsidiary, Associate and Joint Venture Company and their contribution to the overall performance of the Company

As required under Section 129 of the Companies Act, 2013 and Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Consolidated Financial Statements have been prepared by the Company in accordance with the applicable Accounting Standards and form part of the Annual Report. Statement on the highlights of performance of the subsidiary companies and their contribution to the overall performance of the Company are given in the Form AOC-1 has been appended as **Annexure-XI** to this report.

Details relating to Deposits covered under Chapter V of the Companies Act, 2013

Your company has not accepted any deposits within the purview of Chapter V of the Companies Act, 2013 during the year under review.

Significant and Material Orders passed by the Regulators or Courts or Tribunals

There are no significant material orders passed by the Regulators/Courts which would impact the going concern status of your Company and its future operations.

Instances of fraud, if any reported by the Auditors

There have been no instances of fraud reported by the Auditors under Section 143(12) of the Companies Act, 2013.

Adequacy of Internal Control with reference to Financial Statements

The Company has an Internal Financial Control System commensurate with the size, scale and complexity of its operations.

The Company has adopted accounting policies which are in line with the Indian Accounting Standards notified under Section 133 and other applicable provisions, if any, of the Act read together with the Companies (Indian Accounting Standards) Rules, 2015.

The Company in preparing its financial statements makes judgments and estimates based on sound policies and uses external agencies to verify/ validate them as and when appropriate. The basis of such judgments and estimates are also approved by the Statutory Auditors and Audit Committee.

The Internal Auditor evaluates the efficacy and adequacy of internal control system, accounting procedures and policies adopted by the Company for efficient conduct of its business, adherence to Company's policies, safeguarding of Company's assets, prevention and detection of frauds and errors and timely preparation of reliable financial information etc. Based on the report of internal audit function, process owners undertake corrective action in their respective areas and thereby strengthen the controls. Significant audit observations and corrective actions thereon are presented to the Audit Committee of the Board.

Directors and Key Managerial Personnel

In accordance with the Articles of Association of the Company and provisions of the Section 152(6) (e) of the Companies Act, 2013 Mr. V. Chandrasekaran (DIN: 03126243) will retire by rotation at the ensuing Annual General Meeting of the Company and being eligible, offers himself for re-appointment.

Further, Mr. Nitin Kumar Agarwal, Chief Financial Officer of the Company resigned from the services of the Company with effect from July 18, 2019, and your Company has appointed Mr. Bharat Adnani, as the Chief Financial Officer with effect from August 19, 2019.

During the year, Mr. Najib Shah, Dr. M Mathisekaran and Mr. Ananth Narayan Gopalakrishnan were appointed as Non-Executive (Independent Directors) and whose appointment was also approved by the shareholders at the 26th AGM held on September 30, 2019. Further, Ms. Sadhana Dhamane, Non-Executive Director and Mr. S B Mainak, Non-Executive (Independent Directors) of the company resigned from the Board on August 08, 2019 and February 11, 2020 respectively.

During the year, the Company initiated forensic audit as advised by SEBI in the matter of anonymous complaints received by it. Pending investigation, Mr Rajesh Mokashi, the former MD and CEO was sent on leave on July 17, 2019.

Mr. Rajesh Mokashi suo-moto resigned from the services of the Company with effect from December 20, 2019. The Board of CARE took the resignation on record, without prejudice to the ongoing examination of anonymous complaints and any action, if required, to be taken pursuant thereto. Mr S.B. Mainak also tendered his resignation as Director of CARE on February 11, 2020, which was accepted by the Board.

In February, 2020, the Board considered the forensic audit report and independent of any legal assessment, decided to terminate the employment of Mr. Rajesh Mokashi with effect from the date he was sent on leave in July, 2019. The Board also reviewed various measures for improvement in its systems and processes to ensure that CARE maintains highest standards of professional quality and integrity.

As advised by SEBI, the Company has instituted a full-fledged inquiry by Justice (Retd) B. N. Srikrishna, a retired Supreme Court Justice, for alleged interference in the ratings by erstwhile Chairman and MD and other employees and to take appropriate action, if required. The said inquiry is going on.

Based on the recommendation of the Nomination & Remuneration Committee, the Board of Directors have appointed Mr. Ajay Mahajan as an Additional Director and as Managing Director & Chief Executive Officer of the Company with effect from April 15, 2020 for a period of five years subject to the approval of the shareholders at the ensuing Annual General Meeting.

Detailed profile of Mr. Mahajan in line with Regulation 36(3) of the Listing Regulations is forming a part of the Notice of the Annual General Meeting.

Auditor and Auditor's Report

M/s. Khimji Kunverji & Co., Chartered Accountants (Firm Registration No. 105146W) were reappointed as the Statutory Auditors of the Company at the 23rd Annual General Meeting to hold office from the conclusion of 23rd Annual General Meeting till the conclusion of the 28th Annual General Meeting to be held in 2021.

Your Company has received a confirmation from Khimji Kunverji & Co., Chartered Accountants (Firm Registration No. 105146W) to the effect that that they are not disqualified within the meaning of Section 141 and other applicable provisions of the Act and rules made thereunder.

There are no qualifications, reservations or adverse remarks or disclaimers made by M/s. Khimji Kunverji & Co., Chartered Accountants, Statutory Auditors, in their report.

Status of Investors Compliant

During the financial year 2019-20, your Company has received complaints with regard to non-receipt of annual report and non-receipt of dividend. The details of complaints are appended to this Report as **Annexure-V**.

Secretarial Audit Report

The Board of Directors of your Company have appointed M/s A. K. Jain & Co., Company Secretaries, Mumbai, to conduct the Secretarial Audit of the Company. The Secretarial Audit Report is appended to this Report as **Annexure-VI**.

There are no qualifications, reservations or adverse remarks or disclaimers made by M/s A K Jain & Co., Company Secretaries, Mumbai in their secretarial audit report.

Maintenance of Cost Records & Cost Audit

Maintenance of cost records and requirement of cost audit as prescribed under the provisions of Section 148(1) of the Act, are not applicable for the business activities carried out by the Company.

Change in the Nature of Business

During the financial year 2019-20, there was no change in the nature of business of the Company.

Employees Stock Option Schemes

As required in terms of the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014, the disclosure relating to CARE Ratings Limited ("ESOS - 2013") is appended as **Annexure-VII** to this report.

Management Discussion and Analysis Report

The Management's Discussion and Analysis Report for the year under review, as stipulated under Regulation 34(2) (e) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 with the Stock Exchanges, is annexed as **Annexure-VIII** to this report.

Particulars of Employees

Disclosures with respect to the remuneration of Directors and employees as required under Section 197 of the Companies Act, 2013 and Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 has been appended as **Annexure-IX** to this Report.

The information required pursuant to Section 197 of the Companies Act, 2013 read with Rule 5(2) & (3) of the Companies (Appointment and Remuneration of managerial Personnel) Amended Rules, 2016 in respect of employees of your Company is available for inspection by the members at the Registered Office of the Company during business hours on working days up to the date of the ensuing Annual General Meeting. If any member is interested in obtaining a copy thereof, such member may write to the Company Secretary, whereupon a copy would be sent.

Business Responsibility Statement

A Business Responsibility Report as per regulation 34(2) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, detailing the various initiatives taken by the Company on the environmental, social and governance front. annexed as **Annexure-X** and forms an integral part of this Annual Report.

Corporate Governance

The Company is committed to maintaining the highest standards of Corporate Governance and adhering to the Corporate Governance requirements as set out by Securities and Exchange Board of India. The Report on Corporate Governance as per regulation 34(3) read with Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 forms part of the Annual Report. The Certificate from the Auditors of the Company confirming compliance with the conditions of Corporate Governance as stipulated under Schedule V (E) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 forms part of the Corporate Governance Report.

Audit Committee of the Company

Your Company's Audit Committee comprises the following directors as its members:

1.	Mr. Adesh Kumar Gupta	Chairman (Independent Director)
2.	Ms. Sonal Gunvant Desai	Member (Independent Director)
3.	Mr. V. Chandrasekaran	Member (Non-Executive Director)
4.	Mr. Ananth Narayan Gopalakrishnan	Member (Independent Director)

The composition of the Audit Committee is in compliance with the requirements of Section 177 of the Companies Act, 2013 and Regulation 18 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Disclosures under Sexual Harassment of women at workplace (Prevention, Prohibition & Redressal) Act, 2013

Your Company has always believed in providing a safe and harassment free workplace for every individual working in the Company's premises through various interventions and practices. The Company always endeavours to create and provide an environment that is free from discrimination and harassment including sexual harassment.

Your Company has a policy on Prevention of Sexual Harassment at Workplace. The policy aims at prevention of harassment of employees and lays down the guidelines for identification, reporting and prevention of undesired behaviour. An Internal Complaints Committee (ICC) has been set up as per the provisions of Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 in order to investigate any complaints / issues related to sexual harassment. The ICC is responsible for redressal of complaints related to sexual harassment and follows the guidelines provided in the Policy.

During the year ended March 31, 2020, the ICC did not receive any complaint pertaining to sexual harassment.

Compliance of the Secretarial Standards 1 & 2 Issued by the Institute of the Company Secretaries of India (ICSI)

The relevant Secretarial Standards issued by ICSI related to the Board and General Meetings have been complied by the Company.

Acknowledgements

The Board places on record its appreciation of the contribution of its employees to the company's operations and the trust reposed in it by market intermediaries, issuers and investors. The Board also appreciates the support provided by the Reserve Bank of India, Securities Exchange Board of India and the Company's Bankers, IDBI Bank and HDFC Bank.

On behalf of the Board of Directors

Date: Mumbai
Place: July 10, 2020

Ajay Mahajan
Managing Director & CEO

Adesh Kumar Gupta
Director

V Chandrasekaran
Director

CARE RATINGS LIMITED
DIVIDEND DISTRIBUTION POLICY

1. The Board shall declare & pay dividends out of
 - The Current year's profit after (a) transferring to the reserves such amount of profit as may be prescribed and (b) providing for depreciation in accordance with the applicable laws; or
 - The profits for any previous financial year(s) that remain undistributed after providing for depreciation in accordance with applicable laws; or
 - Combination of (i) and (ii) above
2. The following shall be considered by the Board prior to any recommendation in relation to declaration of dividends:
 - Plough back of profits i.e. for future capital expenditure for expansion programme; for acquisition of premises if any and for renovation and major repairs and maintenance.
 - Crystallization of contingent liabilities, if any
 - Acquisition or sale of business
3. Interim dividends may be declared by the Board based on the review of profits earned during the current year to date. Declaration of final dividends based on review of profits as per the audited financial statements for the year are to be recommended by the Board to shareholders for approval.
4. The above dividend policy is subject to provisions of the Companies Act 2013 & SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
5. This policy will be reviewed annually and as and when changes take place in the regulations.

Form No. MGT-9

Extract of Annual Return as on the financial year ended March 31, 2020 [Pursuant to section 92(3) and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]

i. REGISTRATION AND OTHER DETAILS

i.	CIN	L67190MH1993PLC071691
ii.	Registration Date	April 21, 1993
iii.	Name of the Company	CARE Ratings Limited
iv.	Category / Sub-Category of the Company	Company Limited by shares / Indian Non-Government Company.
v	Address of the Registered office and contact detail	4 th Floor, Godrej Coliseum, Somaiya Hospital Road, Off. Eastern Express Highway, Sion (East), Mumbai – 400 022 Tel No: 022 – 67543456 Fax No: 022 – 67543457 Email : care@careratings.com Website: www.careratings.com
vi.	Whether listed company (Yes / No)	Yes
vii.	Name, Address and Contact details of Registrar and Transfer Agent, if any	KFin Technologies Pvt. Ltd. Unit: CARE Ratings Limited Selenium Tower - B, Plot No. 31 & 32, Financial District, Gachibowli, Nanakramguda, Serilingampally, Hyderabad – 500 032. Tel. No. 040 – 67162222 Fax No. 040 – 23001153 Email: einward.ris@kfintech.com Website: www.kfintech.com

ii. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

Sl. No.	Name and Description of main products / services	NIC Code of the Product/ service	% to total turnover of the Company
1.	Financial Services other than securities dealing activities	66190	100%

iii. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sl. No.	Name and Address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
1.	CARE Risk Solutions Pvt. Ltd.	U74210MH1999PTC118349	Subsidiary	100%	2(87)
2.	CARE Ratings Mauritius (Africa) Pvt. Ltd.,	-	Subsidiary	78%	2(87)
3.	CARE Advisory Research and Training Limited	U74999MH2016PLC285575	Subsidiary	100%	2(87)
4.	CARE Ratings Nepal Limited	-	Subsidiary	51%	2(87)

iv. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

a. Category-wise Share Holding

Category of share-holders	No. of shares held at the beginning of the year – 01/04/2019				No. of shares held at the end of the year – 31/03/2020				% change during the year
	Demat	Physical	Total	% of total shares	Demat	Physical	Total	% of total shares	
A. Promoters & Promoter Group									
(1) Indian									
Individual/HUF		-	-	-	-	-	-	-	-
Central Govt.		-	-	-	-	-	-	-	-
State Govt.(s)		-	-	-	-	-	-	-	-
Bodies Corp.		-	-	-	-	-	-	-	-
Banks / FI		-	-	-	-	-	-	-	-
Any Other		-	-	-	-	-	-	-	-
Sub-total (A)(1)		-	-	-	-	-	-	-	-
(2) Foreign									
a) NRIs – Individuals		-	-	-	-	-	-	-	-
b) Other – Individuals		-	-	-	-	-	-	-	-
Bodies Corp.		-	-	-	-	-	-	-	-
Banks / FI		-	-	-	-	-	-	-	-
Any Other		-	-	-	-	-	-	-	-
Sub-total (A)(2)		-	-	-	-	-	-	-	-
Total shareholding of Promoter (A) = (A) (1)+(A)(2)	-	-	-	-	-	-	-	-	-
B. Public Shareholding									
1. Institutions									
a) Mutual Funds	3213791	-	3213791	10.91	4270572	-	4270572	14.50	3.59
b) Banks / Financial Institutions	3168956	-	3168956	10.76	2992806	-	2992806	10.16	-0.60
c) Central Govt.	-	-	-	-	-	-	-	-	-
d) State Govt.(s)	-	-	-	-	-	-	-	-	-
e) Venture Capital Funds	-	-	-	-	-	-	-	-	-
f) Insurance Companies	-	-	-	-	-	-	-	-	-
g) Foreign Institutional / Portfolio Investors	13742878	-	13742878	46.65	8670042	-	8670042	29.43	-17.22
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-

Category of shareholders	No. of shares held at the beginning of the year – 01/04/2019				No. of shares held at the end of the year – 31/03/2020				% change during the year
	Demat	Physical	Total	% of total shares	Demat	Physical	Total	% of total shares	
i) Others - Qualified Foreign Investor	-	-	-	-	-	-	-	-	-
Sub-total (B)(1)	20125625	-	20125625	68.31	17011932	-	17011932	57.74	-10.57
2. Non-Institutions									
Bodies Corporate	5283495	-	5283495	17.93	5349188	-	5349188	18.16	0.22
Individuals									
(i) Individuals holding nominal share capital upto Rs.1 lakh	3257294	301	3257595	11.06	5252510	301	5252811	17.83	6.77
(ii) Individuals holding nominal share capital in excess of Rs.1 lakh	355481	-	355481	1.21	1096259	-	1096259	3.72	2.51
Others									
Clearing Members	58970	-	58970	0.20	141106	-	141106	0.48	0.28
Directors	76721	-	76721	0.26	76721	-	76721	0.26	0.00
Non Resident Indians	212157	-	212157	0.72	407192	-	407192	1.38	0.66
Nri Non-Repatriation	88838	-	88838	0.30	123673	-	123673	0.42	0.12
Trusts	2332	-	2332	0.01	2332	-	2332	0.01	0.00
Qualified Foreign Investor	-	-	-	-	-	-	-	-	-
Sub-Total B(2) :	9335288	301	9335589	31.69	12448981	301	12449282	42.26	10.57
Total Public Shareholding (B) = (B)(1)+(B)(2)	29460913	301	29461214	100.00	29460913	301	29461214	100.00	0.00
C. Shares held by Custodian for GDRs & ADRs									
Grand Total (A+B+C)	29460913	301	29461214	100.00	29460913	301	29461214	100.00	0.00

b. Shareholding of Promoters

Category of shareholders	No. of shares held at the beginning of the year (01.04.2019)				No. of shares held at the end of the year (31.03.2020)				% change during the year
	Demat	Physical	Total	% of total shares	Demat	Physical	Total	% of total shares	
NIL									

*During the year under review in promoter's category the shareholding is Nil.

c. Change in Promoters' Shareholding (please specify, if there is no change)

Sl. No.	Particulars	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
	At the beginning of the year				
	Date wise increase / decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc.)	No Change			
	At the end of the year				

d. Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs)

Name of the shareholder	Shareholding at the beginning of the year (01.04.2019)		Shareholding at the end of the year (31.03.2020)	
	No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
1) Life Insurance Corporation of India				
At the beginning of the year	2902136	9.85		
Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc.)				
At the end of the year			2902136	9.85
2) CRISIL Limited				
At the beginning of the year	2622431	8.90		
Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc.)				
At the end of the year			2622431	8.90
3) Aditya Birla Sun Life Trustee Private Limited A/C				
At the beginning of the year	5000	0.02		
Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc.)				
12/04/2019 Sale	300	0.00	4700	0.02
07/06/2019 Sale	2000	0.01	2700	0.01
19/07/2019 Sale	2700	0.01	0	0.00
24/01/2020 Purchase	1066887	3.62	1066887	3.62

<i>Name of the shareholder</i>	<i>Shareholding at the beginning of the year (01.04.2019)</i>		<i>Shareholding at the end of the year (31.03.2020)</i>	
	<i>No. of Shares</i>	<i>% of total Shares of the Company</i>	<i>No. of Shares</i>	<i>% of total Shares of the Company</i>
31/01/2020 Purchase	319943	1.09	1386830	4.71
07/02/2020 Purchase	70591	0.24	1457421	4.95
14/02/2020 Purchase	329656	1.12	1787077	6.07
At the end of the year			1787077	6.07
4) L & T Mutual Fund Trustee Ltd - L & T Tax Advantage Fund				
At the beginning of the year	1214792	4.12		
Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc.)				
26/07/2019 Purchase	15000	0.05	1229792	4.17
09/08/2019 Purchase	66170	0.22	1295962	4.40
16/08/2019 Purchase	1759	0.01	1297721	4.40
23/08/2019 Purchase	27461	0.09	1325182	4.50
30/08/2019 Purchase	40000	0.14	1365182	4.63
27/09/2019 Purchase	25000	0.08	1390182	4.72
18/10/2019 Purchase	25000	0.08	1415182	4.80
03/01/2020 Purchase	109608	0.37	1524790	5.18
14/02/2020 Sale	173433	0.59	1351357	4.59
27/03/2020 Sale	73528	0.25	1277829	4.34
At the end of the year			1277829	4.34
5) Morgan Stanley Asia (Singapore) Pte. - ODI				
At the beginning of the year	216668	0.74		
Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc.)				
05/04/2019 Purchase	129442	0.44	346110	1.17
12/04/2019 Purchase	25755	0.09	371865	1.26
19/04/2019 Purchase	23909	0.08	395774	1.34
26/04/2019 Purchase	54662	0.19	450436	1.53
03/05/2019 Purchase	20904	0.07	471340	1.60
10/05/2019 Purchase	45976	0.16	517316	1.76
17/05/2019 Purchase	37230	0.13	554546	1.88
24/05/2019 Purchase	17667	0.06	572213	1.94
14/06/2019 Sale	91	0.00	572122	1.94

Name of the shareholder	Shareholding at the beginning of the year (01.04.2019)		Shareholding at the end of the year (31.03.2020)	
	No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
21/06/2019 Purchase	82	0.00	572204	1.94
26/07/2019 Sale	100	0.00	572104	1.94
02/08/2019 Purchase	100	0.00	572204	1.94
09/08/2019 Sale	82	0.00	572122	1.94
23/08/2019 Purchase	11343	0.04	583465	1.98
30/08/2019 Purchase	37330	0.13	620795	2.11
13/09/2019 Purchase	2308	0.01	623103	2.11
20/09/2019 Purchase	33117	0.11	656220	2.23
27/09/2019 Purchase	43545	0.15	699765	2.38
04/10/2019 Purchase	47821	0.16	747586	2.54
11/10/2019 Purchase	33301	0.11	780887	2.65
18/10/2019 Purchase	33121	0.11	814008	2.76
25/10/2019 Purchase	51361	0.17	865369	2.94
01/11/2019 Purchase	61441	0.21	926810	3.15
08/11/2019 Purchase	156115	0.53	1082925	3.68
15/11/2019 Purchase	167075	0.57	1250000	4.24
29/11/2019 Purchase	4787	0.02	1254787	4.26
06/12/2019 Sale	4787	0.02	1250000	4.24
21/02/2020 Purchase	14000	0.05	1264000	4.29
20/03/2020 Sale	8400	0.03	1255600	4.26
27/03/2020 Sale	5600	0.02	1250000	4.24
At the end of the year			1250000	4.24
6) Franklin Templeton Mutual Fund A/C Franklin India				
At the beginning of the year	1214044	4.12		
Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc.)				
13/12/2019 Purchase	1054044	3.58	2268088	7.70
13/12/2019 Sale	1214044	4.12	1054044	3.58
At the end of the year			1054044	3.58
7) Franklin Templeton Investment Funds				
At the beginning of the year	1180846	4.01		
Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc.)				

<i>Name of the shareholder</i>	<i>Shareholding at the beginning of the year (01.04.2019)</i>		<i>Shareholding at the end of the year (31.03.2020)</i>	
	<i>No. of Shares</i>	<i>% of total Shares of the Company</i>	<i>No. of Shares</i>	<i>% of total Shares of the Company</i>
17/01/2020 Sale	180846	0.61	1000000	3.39
At the end of the year			1000000	3.39
8) Bajaj Allianz Life Insurance Company Ltd.				
At the beginning of the year	114217	0.39		
Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc.				
07/06/2019 Sale	5100	0.02	109117	0.37
14/06/2019 Sale	3000	0.01	106117	0.36
12/07/2019 Sale	6500	0.02	99617	0.34
26/07/2019 Sale	10400	0.04	89217	0.30
20/09/2019 Purchase	115000	0.39	204217	0.69
01/11/2019 Purchase	10000	0.03	214217	0.73
29/11/2019 Purchase	100000	0.34	314217	1.07
06/12/2019 Purchase	200000	0.68	514217	1.75
13/12/2019 Purchase	50000	0.17	564217	1.92
24/01/2020 Purchase	230763	0.78	794980	2.70
13/03/2020 Purchase	50000	0.17	844980	2.87
20/03/2020 Purchase	25000	0.08	869980	2.95
At the end of the year			869980	2.95
9) Lloyd George Investment Company Public Limited Company				
At the beginning of the year	866004	2.94		
Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc.)				
26/04/2019 Sale	3541	0.01	862463	2.93
09/08/2019 Purchase	84874	0.29	947337	3.22
16/08/2019 Purchase	154927	0.53	1102264	3.74
23/08/2019 Purchase	885	0.00	1103149	3.74
06/09/2019 Purchase	65688	0.22	1168837	3.97
13/09/2019 Purchase	20955	0.07	1189792	4.04
11/10/2019 Purchase	762	0.00	1190554	4.04
03/01/2020 Sale	93000	0.32	1097554	3.73
10/01/2020 Sale	1515	0.01	1096039	3.72
14/02/2020 Sale	227205	0.77	868834	2.95

Name of the shareholder	Shareholding at the beginning of the year (01.04.2019)		Shareholding at the end of the year (31.03.2020)	
	No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
At the end of the year			868834	2.95
10) Pinebridge Global Funds - Pinebridge India Equity				
At the beginning of the year	0	0.00		
Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc.)				
09/08/2019 Purchase	288000	0.98	288000	0.98
22/11/2019 Purchase	140000	0.48	428000	1.45
29/11/2019 Purchase	175000	0.59	603000	2.05
31/01/2020 Purchase	25959	0.09	628959	2.13
07/02/2020 Purchase	151372	0.51	780331	2.65
21/02/2020 Purchase	50000	0.17	830331	2.82
At the end of the year			830331	2.82

e. Shareholding of Directors and Key Managerial Personnel:

Name of Director /Key Managerial Personnel	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
	No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
1) Mr. Rajesh Mokashi, Managing Director & CEO				
At the beginning of the year (01.04.2019)	76721	0.26		
Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase / decrease				
At the end of the year (20.12.2019)			76,721	0.26
2) Mr. Mehul Pandya				
At the beginning of the year (01.04.2019)	18855	0.06		
Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase / decrease				
At the end of the year (31.03.2020)			18855	0.06
3) Mr. T. N. Arun Kumar				
At the beginning of the year (01.04.2019)	28960	0.10		
Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase / decrease				
At the end of the year (31.03.2020)			28960	0.10

v. INDEBTEDNESS

Indebtedness of the Company including interest outstanding / accrued but not due for payment

	<i>Secured Loans excluding deposits</i>	<i>Unsecured Loans</i>	<i>Deposits</i>	<i>Total Indebtedness</i>
Indebtedness at the beginning of the financial year				
i) Principal Amount	NIL	NIL	NIL	NIL
ii) Interest due but not paid	NIL	NIL	NIL	NIL
iii) Interest accrued but not due	NIL	NIL	NIL	NIL
Total (i+ii+iii)	NIL	NIL	NIL	NIL
Change in Indebtedness during the financial year				
Addition	NIL	NIL	NIL	NIL
Reduction	NIL	NIL	NIL	NIL
Net Change	NIL	NIL	NIL	NIL
Indebtedness at the end of the financial year				
i) Principal Amount	NIL	NIL	NIL	NIL
ii) Interest due but not paid	NIL	NIL	NIL	NIL
iii) Interest accrued but not due	NIL	NIL	NIL	NIL
Total (i+ii+iii)	NIL	NIL	NIL	NIL

vi. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL**A. Remuneration to Managing Director, Whole-time Directors and/or Manager:****(Amount in Rs.)**

<i>Sl No.</i>	<i>Particulars of Remuneration</i>	<i>Name of MD / WTD / MANAGER</i>
		<i>Mr. Rajesh Mokashi, Managing Director & CEO</i>
1	Gross salary Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 Value of perquisites u/s 17(2) Income-tax Act, 1961 Profits in lieu of salary under section 17(3) Income-tax Act, 1961	1,01,46,539
2	Stock Option	----
3	Sweat Equity	----
4	Commission as % of profit others, specify	----
5	Others, please specify Provident Fund Superannuation	5,11,570 4,69,708
	Total (A)	1,11,27,817

Overall Ceiling as per the Act (%) - 5% of the Net Profits equivalent to Rs. 5,48,14,245/- with respect to the ceiling for the Company applicable for the financial year covered by this Report

B. Remuneration to other directors:

Sr. No.	Particulars of Remuneration / Sitting Fees	Name of Directors								Total Amount
		Mr. S. B. Mainak, Chairman	Ms. Sadhana Dhamane, Non Executive Director	Mr. V. Chandrasekaran, Non Executive Director	Mr. Adesh Kumar Gupta, Independent Director	Ms. Sonal Gunvant Desai, Independent Director	Mr. Najib Shah, Independent Director	Mr. Ananth Narayan G, Independent Director	Dr. M Mathisekaran, Independent Director	
1		Independent Directors								
	Fee for attending Board / Committee meetings (Rs.)	19,50,000	----	----	22,50,000	20,00,000	12,00,000	12,00,000	9,00,000	95,00,000
	Commission (Rs.)	----	----	----	----	----	----	----	----	----
	Others, please specify (Rs.)	----	----	----	----	----	----	----	----	----
	Total (1) (Rs.)	19,50,000			22,50,000	20,00,000	12,00,000	12,00,000	9,00,000	95,00,000
2		Other Non-Executive Directors								
	Fee for attending Board / committee meetings (Rs.)	----	8,00,000	20,50,000	----	----	----	----	----	28,50,000
	Commission (Rs.)	----	----	----	----	----	----	----	----	----
	Others, please specify (Rs.)	----	----	----	----	----	----	----	----	----
	Total (2) (Rs.)	----	8,00,000	20,50,000	----	----	----	----	----	28,50,000
	Total (B)=(1+2) (Rs.)	19,50,000	8,00,000	20,50,000	22,50,000	20,00,000	12,00,000	12,00,000	9,00,000	1,23,50,000

C. TOTAL MANAGERIAL REMUNERATION TO DIRECTORS:

No.	Name	Amount (Rs)
1.	Mr. S. B. Mainak, Chairman & Independent Director	19,50,000
2.	Mr. Adesh Kumar Gupta, Independent Director	22,50,000
3.	Ms. Sonal Guvant Desai, Independent Director	20,00,000
4.	Mr. Najib Shah, Independent Director	12,00,000
5.	Dr. M Mathisekaran, Independent Director	9,00,000
6.	Mr. Ananth Narayan Gopalakrishnan, Independent Director	12,00,000
7.	Mr. Rajesh Mokashi, Managing Director & CEO	1,11,27,817
8.	Ms. Sadhana Dhamane, Non Executive Director	8,00,000
9.	Mr. V. Chandrasekaran, Non Executive Director	20,50,000
	TOTAL REMUNERATION TO DIRECTORS	2,34,77,817

Overall Ceiling as per the Act (%) - 11% of the Net Profits equivalent to Rs.12,05,91,335/- with respect to the ceiling for the Company applicable for the financial year covered by this Report.

D. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD / MANAGER / WTD: (Amount in Rs.)

S r . No.	Particulars of Remuneration	Key Managerial Personnel					Total Amount
		Mr. T. N. Arun Kumar, Executive Director	Mr. Mehul Pandya, Executive Director	Mr. Navin Jain, Executive Director & Company Secretary	Mr. Nitin Kumar Agrawal, Chief Finan- cial Officer (upto July 18, 2019)	Mr. Bharat Adnani Chief Financial Officer (From August 19, 2019)	
1.	Gross salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	98,39,739	94,68,056	71,95,169	13,05,450	26,72,838	3,04,81,252
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	0.00	0.00	0.00	0.00	0.00	0.00
	Profits in lieu of salary under section 17(3) Income-tax Act, 1961 Variable Pay Leave Encashment	0.00	0.00	0.00	0.00	0.00	0.00
2.	Stock Option	0.00	0.00	0.00	0.00	0.00	0.00
3.	Sweat Equity	0.00	0.00	0.00	0.00	0.00	0.00
4.	Commission as % of profit others, specify...	0.00	0.00	0.00	0.00	0.00	0.00
5.	Others, please specify Provident Fund Performance Related Pay	3,49,985	3,09,256	3,03,920	54,411	1,16,378	11,33,950
	Total	1,01,89,724	97,77,312	74,99,089	13,59,861	27,89,216	3,16,15,202

E. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:

<i>Type</i>	<i>Section of the Companies Act</i>	<i>Brief Description</i>	<i>Details of Penalty / Punishment/ Compounding fees imposed</i>	<i>Authority [RD / NCLT / COURT]</i>	<i>Appeal made, if any (give details)</i>
A. COMPANY					
Penalty	NIL	NIL	NIL	NIL	NIL
Punishment	NIL	NIL	NIL	NIL	NIL
Compounding	NIL	NIL	NIL	NIL	NIL
B. DIRECTORS					
Penalty	NIL	NIL	NIL	NIL	NIL
Punishment	NIL	NIL	NIL	NIL	NIL
Compounding	NIL	NIL	NIL	NIL	NIL
C. OTHER OFFICERS IN DEFAULT					
Penalty	NIL	NIL	NIL	NIL	NIL
Punishment	NIL	NIL	NIL	NIL	NIL
Compounding	NIL	NIL	NIL	NIL	NIL

NOMINATION & REMUNERATION POLICY (DIRECTORS, KMP & SENIOR MANAGEMENT)

INTRODUCTION

In pursuance of the Company's policy to consider human resources as its invaluable assets, to pay equitable remuneration to all Directors, Key Managerial Personnel and employees provisions of the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, this policy on Nomination and Remuneration of Directors, Key Managerial Personnel (KMP) and Senior Management has been formulated.

CONSTITUTION OF COMMITTEE

CARE had two separate committees, 1) Remuneration Committee and 2) Corporate Governance and Nomination Committee. To comply with the provisions of the Companies Act, 2013 and revised clause 49 of the Listing agreement, the Board of Directors at its 114th Board Meeting held on May 20, 2014 merged the Remuneration Committee and the Corporate Governance and Nomination Committee and named it as 'Nomination and Remuneration Committee'.

OBJECTIVE

The Nomination and Remuneration Committee and this Policy shall be in compliance with Section 178 of the Companies Act, 2013 read along with the applicable rules thereto and Clause 49 under the Listing Agreement / Part D of Schedule II of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The objective of this policy is to lay down a framework in relation to remuneration of directors, KMP, senior management personnel and other employees.

The terms of reference of the Committee as defined by the Board are as follows:

Section 178 of the Companies Act, 2013

1. Identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down,
2. Recommend to the Board their appointment and removal and shall carry out evaluation of every director's performance.
3. Formulate the criteria for determining qualifications, positive attributes and independence of a director.
4. Recommend to the Board a policy, relating to the remuneration for the directors, key managerial personnel and other employees.

Part D of Schedule II of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

1. Formulation of the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration of the directors, key managerial personnel and other employees;
2. Formulation of criteria for evaluation of Independent Directors and the Board;
3. Devising a policy on Board diversity;
4. Identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the Board their appointment and removal.
5. Whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors. The company shall disclose the remuneration policy and the evaluation criteria in its Annual Report.

APPLICABILITY

- a) Directors (Executive and Non-Executive)
- b) Key Managerial Personnel
- c) Senior Management Personnel

DEFINITIONS

"Act" means the Companies Act, 2013 and Rules framed there under, as amended from time to time.

"Board" means Board of Directors of the Company.

"Directors" mean Directors of the Company.

"Executive Director" means a director who is in full time employment and involved in the day to day management of the company.

“Non- Executive Director” means a director who is not in employment of the Company but is involved in policy making and planning exercises.

“Independent Directors” means a non- executive director who apart from receiving sitting fees ,does not have any material pecuniary relationships or transactions with the company, its promoter, its senior management or its holding company, its subsidiaries and associates which may affect the independence of director.

“Key Managerial Personnel” means

- Managing Director and Chief Executive Officer
- Executive Director(s);
- Company Secretary;
- Chief Financial Officer and
- Such other officer as may be prescribed.

“Senior Management Personnel” means personnel of the company who are members of its core management team excluding Board of Directors comprising all members of management one level below the Whole-time Directors, including the functional heads.

Unless the context otherwise requires, words and expressions used in this policy and not defined herein but defined in the Companies Act, 2013 as may be amended from time to time shall have the meaning respectively assigned to them therein.

POLICY FOR APPOINTMENT AND REMOVAL OF DIRECTOR, KMP AND SENIOR MANAGEMENT

1. Appointment Criteria and Qualifications

- a. The Board of Directors of CARE to consist of eminent professionals from the disciplines of banking, finance, accounts, economics, etc.
- b. The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director, KMP or at Senior Management level and recommend to the Board his / her appointment.
- c. A person should possess adequate qualification, expertise and experience for the position he / she is considered for appointment. The Committee has discretion to decide whether qualification, expertise and experience possessed by a person are sufficient / satisfactory for the concerned position.
- d. The Company shall not appoint or continue the employment of any person as Whole-time Director who has attained the age of seventy years. Provided that the term of the person holding this position may be extended beyond the age of seventy years with the approval of shareholders by passing a special resolution based on the explanatory statement annexed to the notice for such motion indicating the justification for extension of appointment beyond seventy years.

2. Positive Attributes

- a. Excellent interpersonal, communication, leadership and representational skills.
- b. Having continuous professional development to refresh knowledge and skills.
- c. Commitment of high standard of ethics, personal integrity and probity.

3. Independence of Director

CARE is a professionally managed company. It does not have any nominee director or any director holding any substantial shareholding in the Company.

The Directors do not have any pecuniary relationship with the Company, its holding, subsidiary or associate company during the two immediately preceding financial years or during the current financial year.

Further, the Directors have not been an employee or partner of a firm of auditors or company secretaries in practice of the company or its holding, subsidiary or associate company or a partner of any legal or a consulting firm that has or had any transaction with the company, its holding, subsidiary or associate company amounting to ten percent or more of the gross turnover of such firm in any of the three financial years immediately preceding the financial year in which he is appointed.

4. Evaluation of Performance

The Committee shall recommend to the Board on appropriate performance criteria for the directors. It shall also carry out evaluation of performance of every Director, KMP and Senior Management Personnel at regular interval.

5. Term / Tenure

- a. **Managing Director/Whole-time Director:** The Company shall appoint or re-appoint any person as its Managing Director or Executive Director for a term not exceeding five years at a time. No re-appointment shall be made earlier than one year before the expiry of term.
- b. **Independent Director:** An Independent Director shall hold office for a term up to five consecutive years on the Board of the Company and will be eligible for re-appointment on passing of a special resolution by the Company and disclosure of such appointment in the Board's report.

No Independent Director shall hold office for more than two consecutive terms of upto maximum of 5 years each, but such Independent Director shall be eligible for appointment after expiry of three years of ceasing to become an Independent Director. Provided that an Independent Director shall not, during the said period of three years, be appointed in or be associated with the Company in any other capacity, either directly or indirectly.

At the time of appointment of Independent Director it should be ensured that number of Boards on which such Independent Director serves is restricted to seven listed companies as an Independent Director and three listed companies as an Independent Director in case such person is serving as a Whole-time Director of a listed company or such other number as may be prescribed under the Act.

6. Removal

Due to reasons for any disqualification mentioned in the Act or under any other applicable Act, rules and regulations there under, the Committee may recommend, to the Board with reasons recorded in writing, removal of a Director, KMP or Senior Management Personnel subject to the provisions and compliance of the said Act, rules and regulations.

7. Retirement

The Director, KMP and Senior Management Personnel shall retire as per the applicable provisions of the Act and the prevailing policy of the Company. The Board will have the discretion to retain the Director, KMP, Senior Management Personnel in the same position/ remuneration or otherwise even after attaining the retirement age, for the benefit of the Company.

8. Board Diversity

The Committee is to assist the Board in ensuring that diversity of gender, thought, experience, knowledge and perspective is maintained in the Board nomination process in accordance with the Policy on Board Diversity.

A. POLICY FOR REMUNERATION TO DIRECTORS / KMP / SENIOR MANAGEMENT PERSONNEL

1. Remuneration to Managing Director, Executive Director, KMP and Senior Management Personnel:

The Remuneration / Compensation etc. to be paid to Director / Managing Director etc. shall be governed as per provisions of the Companies Act, 2013 and rules made there under or any other enactment for the time being in force. The remuneration with regard to Senior Management Personnel will be as per the policy of the Company.

2. Performance Evaluation and Variable pay to Managing Director & CEO and Key Managerial Personnel:

The performance evaluation of the Managing Director & CEO and other Key Managerial Personnel will be decided on the basis of financial and technical parameters and its achievement to the budgeted targets fixed by the Board. Further, the overall performance of the Company, retention of the clients, new additions of the client, recovery of outstanding dues, growth in profit, growth in revenue and control over management expenses will also be considered.

3. Remuneration to Non-Executive Director and Independent Director:

The Non-Executive Director and Independent Director are paid sitting fees subject to ceiling/ limits as provided under Companies Act, 2013 and rules made there under or any other enactment for the time being in force and after passing of a resolution by the Board.

4. Commission:

The Non-Executive Director and Independent Director may be paid commission subject to ceiling/ limits as provided under Companies Act, 2013 and rules made there under or any other enactment for the time being in force and after passing of a resolution by the Shareholders.

5. Stock Options:

Independent Directors shall not be entitled to any stock options of the Company.

6. Minimum remuneration to Managing Director and Executive Director in case of no profits or inadequate profits:

If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Managing Director and Executive Director in accordance with the provisions of Schedule V of the Companies Act, 2013 or, if it is not able to comply with such provisions, with the approval of the Central Government.

7. Post-retirement Benefits:

The Managing Director, Executive Director and Senior management Personnel are entitled for retirement benefits such as encashment of leave, leave travel concession, provident fund, superannuation fund and gratuity.

B. DUTIES IN RELATION TO NOMINATION MATTERS

The duties of the Committee in relation to nomination matters include:

- a. Ensuring that there is an appropriate induction in place for new Directors and members of Senior Management and reviewing its effectiveness;
- b. Ensuring that on appointment as Independent Directors at the Annual General Meeting, the Independent Directors receive a formal letter of appointment in accordance with the Guidelines provided under the Act;
- c. Identifying and recommending Directors who are to be put forward for retirement by rotation.
- d. Determining the appropriate size, diversity and composition of the Board;
- e. Developing a succession plan for the Board and Senior Management and regularly reviewing the plan;
- f. Evaluating the performance of the Board members and Senior Management in the context of the Company's performance from business and compliance perspective;
- g. Making recommendations to the Board concerning any matters relating to the continuation in office of any Director at any time including the suspension or termination of service of an Executive Director as an employee of the Company subject to the provision of the law and their service contract;
- h. Delegating any of its powers to one or more of its members or the Secretary of the Committee;
- i. Recommend any necessary changes to the Board; and
- j. Considering any other matters, as may be requested by the Board.

C. DUTIES IN RELATION TO REMUNERATION MATTERS

The duties of the Committee in relation to remuneration matters include:

- a. Considering and determining the Remuneration Policy, based on the performance and also bearing in mind that the remuneration is reasonable and sufficient to attract retain and motivate members of the Board and such other factors as the Committee shall deem appropriate all elements of the remuneration of the members of the Board.
- b. Approving the remuneration of the Senior Management including key managerial personnel of the Company maintaining
- c. a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the Company.
- d. Delegating any of its powers to one or more of its members or the Secretary of the Committee.
- e. Considering any other matters as may be requested by the Board.

D. REVIEW AND AMENDMENT

- a. The Committee or the Board may review the Policy as and when it deems necessary.
- b. The Committee may issue the guidelines, procedures, formats, reporting mechanism and manual in supplement and better implementation to this Policy, if it thinks necessary.
- c. This Policy may be amended or substituted by the Committee or by the Board as and when required and also by the Compliance Officer where there is any statutory changes necessitating the change in the policy.

Annual Report on Corporate Social Responsibility Activities as prescribed under Section 135 of the Companies Act, 2013 and Companies (Corporate Social Responsibility Policy) Rules, 2014

1.	A brief outline of the company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs	<p>Primary theme: To contribute towards promotion of financial education.</p> <p>Concurrent Theme: To contribute towards local area community development.</p> <p>As a part of its primary theme, CARE shall look at opportunities for funding higher education for the students in the field of finance. Such funding could also be for training of students in the field of finance.</p> <p>To implement its concurrent theme, CARE may look to provide for development of Local Area (area in the city in which CARE's office is located) in terms providing assistance and infrastructure to local bodies, government offices, schools and public places.</p> <p>Taking the gravity of the COVID -19 pandemic situation, company has also contributed to PM CARES Fund over and above the amount eligible for CSR activities</p> <p>The CSR Policy of the Company is available on the website - www.careratings.com</p>
2.	The Composition of the CSR Committee	<p>Dr. M. Mathisekaran, Chairman (Independent Director)</p> <p>Mr. V Chandrasekaran, Member (Independent Director)</p> <p>Ms. Sonal Gunvant Desai, Member (Independent Director)</p>
3.	Average net profit of the company for last three financial years	Rs. 1,94,35,72,052/-
4.	Prescribed CSR Expenditure (two per cent. of the amount as in item 3 above)	Rs. 3,88,71,441/-
5.	Details of CSR spent during the financial year	
(a)	Total amount spent during the financial year;	Rs. 5,26,81,675/-
(b)	Amount unspent, if any;	Nil

(c) Manner in which the amount spent during the financial year is detailed below.							(Rupees in Lakhs)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
S. No.	CSR project or activity identified	Sector in which the Project is covered	Projects or programs Local area or other Specify the State and district where projects or programs was undertaken	Amount outlay (budget) project or programs wise	Amount spent on the projects or programs- Sub- heads: (1) Direct expenditure on projects or programs- (2) Overheads:	Cumulative expenditure upto to the reporting period	Amount spent: Direct or through implementing agency
1)	To fight against COVID- 19 Pandemic – PM Cares Fund	Contribution to the prime minister's Citizen Assistance and Relief in Emergency Situations Fund (PM CARES Fund)	Across the Country	200.00	200.00	Nil	Direct
2)	Child welfare – Balgruh	Eradicating hunger, poverty and malnutrition	The funds will be utilised for caring & nurturing 100 destitute children living in Balgruh.	20.00	20.00	Nil	Through implementing agency - NGO – K.J. Somaiya trust
3)	Mid day meal	Eradicating hunger, poverty and malnutrition	The funds will be utilised for Mid day meal sponsorship of 1000 childrens.	11.00	11.00	Nil	Through implementing agency - NGO - Akshay Patra Foundation
4)	Sponsoring higher education of students	Promoting education	The funds will be utilised for sponsoring higher education of students for courses above the 10 th grade.	19.00	19.00	Nil	Through implementing agency - NGO – K.J. Somaiya Trust

5)	Training to youths	Promoting education	The funds will be utilised to train 550 youths across various sectors located at Mumbai & Amravati	16.80	16.80	Nil	Through implementing agency - NGO – Pratham
6)	Scholarships to students	Promoting education	The Funds will be utilised for providing We Care scholarship to students from different parts of the country.	30.00	30.00	Nil	Through implementing agency - NSDL e-Governance Infrastructure Limited
7)	Providing e-learning classrooms	Promoting education	The Funds will be utilised for converting 4 classrooms with smart board for e-learning.	6.00	6.00	Nil	Through implementing agency - NGO - Girivanvasi Educational Trust
8)	study centres for socio-economically challenged students	Promoting education including special education and employment enhancing vocation skills	The Funds will be utilised for providing exposure to socio-economically challenged students towards value education, personality development, art & craft activities, story telling, etc.	11.25	11.25	Nil	Through implementing agency - NGO – Seva Sahyog Foundation
9)	Financial literacy programs	Promoting education including special education and employment enhancing vocation skills	The Funds will be utilised for providing financial education programme, child rights, life skills with youth and women in Mumbai & Thane.	20.00	20.00	Nil	Through implementing agency - NGO – Meljol

10)	Water purifier for school students	Promoting health care including preventive health care	The Funds will be utilised for providing Water purifier for 26 schools.	12.58	12.58	Nil	Through implementing agency - NGO - Seva Sahyog Foundation
11)	Mobile science Laboratory and library	Promoting education	The Funds will be utilised for mobile science laboratory and library to inducing interest in education & awareness.	27.19	27.19	Nil	Through implementing agency - NGO - Seva Sahyog Foundation
12)	Financial assistance to Music School	Protection of national heritage, art and culture	The Funds will be utilised for promoting Indian Art & culture heritage.	23.00	23.00	Nil	Through implementing agency - The Fine Arts Society, Chembur
13)	Social and Financial Literacy programs	Promoting education including special education and employment enhancing vocation skills	The Funds will be utilised for Social and Financial Literacy programs for underprivileged children and Adolescents.	20.00	20.00	Nil	Through implementing agency - NGO - Concern India Foundation
14)	Infrastructure development of school	Promoting education	The Funds will be utilised for improving infrastructure at the school by refurbishment of classrooms, sanitation facilities at Zilla Parishad School	25.00	25.00	Nil	Through implementing agency - NGO - Concern India Foundation

15)	Special care centre for hearing impaired and intellectually disabled children	Promoting education	The Funds will be utilised for providing assistance to a school for hearing impaired and intellectually disabled children	17.50	17.50	Nil	Through implementing agency - NGO – Save the Children India
16)	Employment opportunities for adolescent girls & young women	Promoting education, including special education and employment enhancing vocation skills especially among children, women	The Funds will be utilised for enhancing employment opportunities for adolescent girls and young women from low income background by providing vocational training	7.50	7.50	Nil	Through implementing agency- NGO – Save the Children India
17)	Child Heart Care	Promoting health care including preventive health care	The Funds will be utilised for sponsoring child heart care and operation cost.	6.00	6.00	Nil	Through implementing agency - NGO - Sri Sathya Sai Health & Education Trust
18)	Drinking Water	Promoting health care including preventive health care	The Funds will be utilised for drinking water for school and orphanage centre in Navi Mumbai.	3.50	3.50	Nil	Through implementing agency - NGO - Rotary Club of Navi Mumbai (Vashi) -
19)	Tree maintenance	Ensuring environmental sustainability	The Funds will be utilised for Fencing and water piping for maintenance of 180 trees planted at school.	0.50	0.50	Nil	Through implementing agency - NGO - Rotary Club of Navi Mumbai (Vashi)

20)	COVID- 19 Treatment	Promoting health care including preventive health care	The funds will be utilised for donating Ventilators, treatment of Covid-19 patients and BPL patients	50.00	50.00	Nil	Through implementing agency - NGO - Bombay Hospital Trust
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6.	In case the company has failed to spend the two per cent, of the average net profit of the last three financial years or any part thereof, the company shall provide the reasons for not spending the amount in its Board report.	Not-Applicable
7.	A responsibility statement of the CSR Committee that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the company.	We hereby confirm that implementation and monitoring of the CSR Policy is in compliance with the CSR objectives and policy of the Company.

Ajay Mahajan
Managing Director & CEO
DIN: 05108777

Dr. M Mathisekaran
Chairman – CSR Committee
DIN: 03584338

STATUS OF THE INVESTORS COMPLAINT FOR FINANCIAL YEAR 2019-2020

The Company has received 102 complaints from the shareholders during the financial year ended 31.03.2020. The details are as follows:

No	Description	Complaints received	Complaints Attended	Complaints pending
1.	Non-receipt of refund order	NIL	NIL	NIL
2.	Non-receipt of Annual Report	82	82	NIL
3.	Non-receipt of dividend	20	20	NIL
4.	Non-receipt of Securities	NIL	NIL	NIL
5.	Non-receipt of refund order (Compliant received through SEBI SCORES)	NIL	NIL	NIL
6.	Non-receipt of dividend (Compliant received through SEBI SCORES)	NIL	NIL	NIL
7.	Non-receipt of Annual Report (Complaint received through Stock Ex- Change)	NIL	NIL	NIL
	TOTAL	102	102	NIL

The Company has promptly attended to all the complaints and there were no pending complaints at the end of the year.

Form No. MR-3
SECRETARIAL AUDIT REPORT

For The financial year ended on 31st March, 2020

[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule No.9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,
The Members
Care Ratings Limited
Godrej Coliseum, 4th Floor, Somaiya Hospital Road
Off Eastern Express Highway, Sion East
Mumbai 400022.

We have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Care Ratings Limited (CIN: L67190MH1993PLC071691) (hereinafter called "the Company"). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification electronically of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, in wake of the countrywide lockdown due to the outbreak of the Novel Covid-19 and we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on 31st March, 2020 complied with the statutory provisions listed hereunder and also that the Company has proper Board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31st March, 2020 according to the provisions of:

- i.** The Companies Act, 2013 (the Act) and the rules made thereunder;
- ii.** The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- iii.** The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- iv.** The Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- v.** The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
 - a. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - b. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
 - c. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (Not Applicable to the Company during the Audit Period);
 - d. The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;
 - e. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 (Not Applicable to the Company during the Audit Period);
 - f. The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
 - g. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 (Not Applicable to the Company during the Audit Period);
 - h. The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 (Not Applicable to the Company during the Audit Period) and;
 - i. The Securities and Exchange Board of India (Listing Obligations and Disclosures Requirements) Regulations, 2015.
- vi.** The Management has identified and confirmed the compliance of The Securities and Exchange Board of India (Credit Rating

Agencies) Regulations, 1999 which is specifically applicable to the Company.

We have also examined compliance with the applicable clauses of the Secretarial Standards issued by The Institute of Company Secretaries of India.

During the period under review the Company has generally complied with the provisions of the Act, Rules, Regulations, Guidelines, standards etc.

We further report that

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Decisions at the meetings of the Board of Directors were carried through on the basis of majority. There were no dissenting views by any member of the Board of Directors during the period under review.

We further report that there are adequate systems and processes in the company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

We further report that during the audit period, there is no specific events/actions which may have major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards etc. except that during the year, the SEBI had directed the Company to conduct a forensic audit in the matter of Whistle Blower Complaints received by it. The former MD and CEO was sent on leave and subsequently, his employment was terminated. SEBI has asked for an investigation in the matter related to the former Chairman and former MD and CEO and other employees for alleged interference in the ratings. The same has been initiated as per the directions laid down by the SEBI.

**For A. K. Jain & Co.
Company Secretaries**

**Place: Mumbai
Date: 10th July, 2020**

**Ashish Kumar Jain
Proprietor
FCS: 6058. CP: 6124
UDIN: F006058B000438358**

Note: This report is to be read with our letter of even date which is annexed as 'Annexure A' and forms an integral part of this report.

Annexure A

To,
The Members
Care Ratings Limited,
Godrej Coliseum 4th Floor, Somaiya Hospital Road,
Off Eastern Express Highway, Sion East,
Mumbai 400022.

Our report of even date is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
4. Wherever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
6. The secretarial audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.
7. Due to the outbreak of COVID 19 and a country wide lock down, we have conducted the audit and relied upon the information, documents, forms, returns, papers and other records maintained by Company and provided to us electronically.

For A. K. Jain & Co.
Company Secretaries

Place: Mumbai
Date: 10th July, 2020

Ashish Kumar Jain
Proprietor
FCS: 6058. CP: 6124
UDIN: F006058B000438358

Information to be disclosed under the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 ("the Regulations") with regards to options which are in force as on March 31, 2020.

Employee Stock Option Scheme (ESOS)

There is no change in the scheme as approved by the Shareholders. The Scheme is in compliance with the Regulations as amended from time to time.

A. Relevant disclosures in terms of the 'Guidance note on accounting for employee share-based payments' issued by ICAI or any other relevant accounting standards as prescribed from time to time are provided on the web link: www.careratings.com

B. Diluted EPS on issue of shares in accordance with 'Accounting Standard 20 - Earnings Per Share' issued by ICAI - Rs. 27.32

C. Details related to Employee Stock Option Scheme (ESOS) -Tranche II

(i)	A description of ESOS that existed at any time during the year:	
(a)	Date of shareholders' approval	September 27, 2013
(b)	Total number of options approved under ESOS	1,000,000
(c)	Vesting requirements	Two (2) years from the date of Options granted i.e., September 01, 2017
(d)	Exercise price or pricing formula	Rs. 1,139 per share
(e)	Maximum term of options granted	3 years
(f)	Source of shares (primary, secondary or combination)	Primary (Direct allotment)
(g)	Variation in terms of options	None
(ii)	Method used to account for ESOS - Intrinsic or fair value:-	Fair Value
(iii)	Where the company opts for expensing of the options using the intrinsic value of the options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options shall be disclosed.	Not applicable since the company has followed Fair Value method
(iv)	Option movement during the year:	
	Number of options outstanding at the beginning of the year	NIL
	Number of options outstanding at the beginning of the year	477,458
	Number of options forfeited / lapsed during the year	61,838
	Number of options vested during the year	NIL
	Number of options exercised during the year	NIL
	Number of shares arising as a result of exercise of options	NIL
	Money realized by exercise of options (INR), if scheme is implemented directly by the company	NIL
	Loan repaid by the Trust during the year from exercise price received	Not Applicable
	Number of options outstanding at the end of the year	415,620
	Number of options exercisable at the end of the year	NIL
(v)	Weighted-average exercise prices and weighted- average fair values of options shall be disclosed separately for options whose exercise price either equals or exceeds or is less than the market price of the stock.	Weighted Average Exercise Price Rs. 1,139/- per share. Weighted-Average Fair Values Rs.565.79/- per share.

(vi)	Employee wise details (name of employee, designation, number of options granted during the year, exercise price) of options granted to – (a) senior managerial personnel;	Refer Note 1 below								
	(b) any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year; and	NIL								
	(c) identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant.	NIL								
(vii)	A description of the method and significant assumptions used during the year to estimate the fair value of options including the following information:									
(a)	weighted-average share price exercise price expected volatility Option life (Comprising vesting period + exercise period) (In Years) expected dividends, risk-free interest rate	Rs 1139/- 31.80% 4 years 1.86% (yield) 6.39%								
(b)	the method used and the assumptions made to incorporate the effects of expected early exercise;	The options will vest in 2 years after grant and exercise period is for 2 years from the date of vesting, hence the average exercise period is calculated as follows <table border="1" data-bbox="932 983 1465 1225"> <thead> <tr> <th>Grant Date/ Valuation date</th> <th>Vesting</th> <th>Exercise period</th> <th>Time to maturity(- years)</th> </tr> </thead> <tbody> <tr> <td>September 01, 2017</td> <td>September 01, 2019</td> <td>September 01, 2020</td> <td>3 years</td> </tr> </tbody> </table>	Grant Date/ Valuation date	Vesting	Exercise period	Time to maturity(- years)	September 01, 2017	September 01, 2019	September 01, 2020	3 years
Grant Date/ Valuation date	Vesting	Exercise period	Time to maturity(- years)							
September 01, 2017	September 01, 2019	September 01, 2020	3 years							
(c)	how expected volatility was determined, including an explanation of the extent to which expected volatility was based on historical volatility; and	CARE Ratings Limited being a listed company, the annual volatility of the stock price for the period September 2, 2016 to September 1, 2017 which is 31.80%.								
(d)	Whether and how any other features of the option grant were incorporated into the measurement of fair value, such as a market condition.	The methodology followed is Black Scholes model								

Note 1**Employee wise details of options granted to Senior Management Personnel (KMP)**

Name	Designation	Number of options granted under ESOS 2013 – Tranche 2	Exercise Price of options Rs. Per share
Rajesh Mokashi *	MD & CEO	32538	Rs. 1139/-
T N Arunkumar	Executive Director	28185	Rs. 1139/-
Mehul Pandya	Executive Director	28185	Rs. 1139/-

*Mr. Rajesh Mokashi was associated with the company till July 17, 2019.

Management Discussion & Analysis

A. Industry Structure and Developments

Economic Backdrop

FY20 was probably one of the most challenging years in the past decade or so for the entire economy that ended on the note of a shutdown which affected the yearend plans of all enterprises as the usual business targets which are met towards the end of the month could not be fulfilled for most of them. GDP growth slowed down to an all-time low of 4.2% which was much below the 6% plus number projected at the beginning of the year. Lower economic growth has also gone with a major decline in the investment rate as defined by the gross fixed capital formation rate which was down to 26.9%. Investment was affected by lower private sector investment as the government remained the most active player in this space. Capacity utilization for the manufacturing sector was also lower at 68.6% as of the quarter ended December 2019. This was reflective of lower demand conditions in the economy which pushed back capacity expansion.

Overall level of economic activity is important for us at CARE Ratings as it impacts the credit and debt markets which in turn has a bearing on our business. Now with the RBI being fairly active in lowering the repo rate and increasing liquidity, one would have expected the growth in credit to pick up. Yet growth in bank credit was lower in FY20 at 6.8% compared with 12.2% last year. But for us, the lower growth in credit to manufacturing and services, which are the segments primarily rated by CRAs, impacted our bank loan business. Banks were more circumspect when it came to lending against the backdrop of the NPA episode following the AQR. Also, the demand for credit was lower with fewer projects in the infra space.

Interestingly, while the debt market witnessed higher issuances in FY20 at Rs. 6.89 lakh crore as against Rs. 6.46 lakh crore in FY19, the bulk came from the BFSI sector. Also, the PSU component dominated. Both these factors get linked on our ability to charge fees which has a bearing on our topline.

Hence, our overall performance on standalone basis has to be viewed against this background. We had to work harder to generate our revenue in FY20 under these conditions where the overall size of the rateable universe was not growing at an adequate pace.

Impact on our business

The subdued conditions in the debt and credit markets did have an impact on our volume of business. The volume of new debt rated by us came down from Rs 19.91 lakh crore in FY19 to Rs 12.73 lakh crore in FY20. This was mainly due to a decline in the volume of new bank loans rated. The volume of debt issuances was also lower this year but given that we had rated substantially higher volume than the issuances in FY19 (as what is rated is not necessarily issued in the year), the spillover effect was witnessed.

This had an impact on our rating income as the new debt rated volume had come down. Also, the increase in the number of Issuer Not Cooperating (INC) cases during the year meant that the company did not receive fees for surveillances which had to be done with the available information for these companies. Therefore, in a way, it was dual challenge for the company as the prevailing regulatory structure requires credit rating agencies to continue to provide ratings based on best available information in case of non-cooperation from the client. This may be an issue to contend with progressively even in FY21 where the INC cases could increase given that the overall economic conditions are likely to be downbeat for the entire year.

Further, on account of the NBFC crisis which started in FY19, several companies which had defaulted had moved out of the surveillance bucket which affected our surveillance income. On our part, we have taken several steps to strengthen our processes and enhance our market intelligence mechanisms.

Developments on the Regulatory front

The regulators have undertaken various measures to enhance governance standards in CRAs as well as the disclosure norms in rating press releases. Some of the measures are as follow:

- In June 2019, SEBI revised the method of computation of cumulative default rates (CDRs) for CRAs, in variance to the earlier method prevalent from March 2010. As per the new method, CRAs are to calculate CDRs on issuer weighted, marginal default

rate basis with monthly cohorts. This, we believe, would bring in granularity to the calculation of CDRs. Further, CRAs are to disclose CDRs in two forms – Long run average of 10 years and short run average of last two years. The regulator has also introduced Probability of Default (PD) benchmarks, to enable investors discern performance of CRA vis-à-vis the standardized benchmark.

- Rating symbols for credit enhanced instruments have been changed from Structured Obligation (SO) symbol to Credit Enhanced (CE). The CE symbol is to be suffixed (instead of SO) to all instruments which are credit enhanced from an external party. Securitization transactions would continue to carry the SO symbol.
- In terms of disclosures, SEBI has introduced new factors that should form a part of the press release – like rating sensitivities (to be quantified to the extent possible) and liquidity indicators.
- CRAs have been advised to devise models to track bond spreads.
- Towards enhancing governance norms, SEBI, in November 2019, stipulated the following
 - Constitution of a 'Rating Sub Committee' of Directors, to whom the Chief Rating officer of a CRA would report. In line with the above, CARE has constituted the committee and also devised a charter for the committee detailing the duties and responsibilities of the Sub Committee as well as the CRO.
 - One third of the Board of a CRA shall comprise independent Directors, if the Board is chaired by a non-executive Director. In case the Board of the CRA is chaired by an executive Director, half of the Board shall comprise independent Directors. The Board of a CRA shall also have a Nomination and Remuneration Committee which shall be chaired by an independent Director. Being a listed company, CARE Ratings is already in compliance with all of the above.
 - CRAs shall meet the audit committee of the rated entity (which carries rating to its listed NCDs), at least once in a year, to discuss issues including related party transactions, internal financial control and other material disclosures made by the management, which have a bearing on rating.
- In order to address this critical gap in the availability of information to investors, listed entities (which are equity listed or have any of their debt securities listed) have been mandated to disclose defaults in their unlisted debt obligations like bank facilities, albeit after persistent default of 30 days.
- To address the issue of 'Issuer Non-Cooperating' (INC) cases, SEBI, in January 2020 mandated that all issuers who are in investment grade and continue to be in INC status for 6 months as of July 1 2020, would necessarily have to be downgraded to sub investment grade. Secondly, no new CRA can rate a facility/instrument if the issuer is in INC status with CRAs for 12 months. We believe that this, especially the second move, would act as a deterrent to issuers for failing to cooperate with CRAs in the rating process and thus, would tend to reduce the INC incidence to an extent.
- These apart, as per SEBI CRA (Amendment) Regulations, 2018, CRAs cannot carry out any activity other than those prescribed by a financial sector regulator, two years from the date of the above notification (i.e., from May 30 2020). Other activities are to be segregated to a separate entity from the above date.
- In March 2020, as a reprieve to issuers due to the onset of Covid-19, SEBI relaxed norms with respect to default recognition and allowed CRAs a differentiation in treatment of default, on a case to case basis to ascertain if such default occurred solely due to the lockdown or loan moratorium.

B. Opportunities and Threats

Opportunities

Our strategy continues to be in the direction of enhancing the rating business by widening the client base and deepening relationships. Both of these elements help in enhancing our business field. The number of clients is very important for us because even if the business procured is of a smaller magnitude, it has the potential to grow in future.

Our conventional businesses covering bank loan and corporate debt would continue to be the focal points and our business teams are classified into various groups to build relations with clients. We do have plans to further strengthen our presence in three areas: securitization, structured products and distressed assets. This we believe will offer more avenues for earning revenue in the coming years and there will be dedicated focus here.

At the same time, going forward, we would like to employ cutting edge technologies in the field of analytics to enhance the efficacy of the rating determination process, through the use of Artificial Intelligence. We would be building capabilities to enhance fraud monitoring systems and also explore partnerships in this area.

For our clients, we would also be offering other services in the fields of customized research, advisory and training through CART, which has already made inroads in these domains. The regulatory fallout of a rating agency allowed to carry out only ratings would mean that the grading products would be handled by CART.

We would also be focusing on our other subsidiary CARE Risk Solutions to augment our Group's business through selling risk solution products to various lending institutions in India and overseas, as well as build on our valuations business.

Going ahead, all diversification of business activity would be channeled through these two subsidiaries as CARE would be involved only with credit ratings. Therefore, growing this business will mean even greater concentration of resources and management time on CART and CRSPL.

Threats

The threats confronting our business have their foundation in such risks and concerns as are discussed in Section "Risks and Concerns" of this report.

C. Segment-wise or product-wise performance

CARE Ratings

CARE Ratings is the flagship company of CARE ratings Group and was established in 1993. In FY20, in a rather challenging environment, your Company's focus was on building the client base and widening the coverage of debt rated in the market. Since inception, your company has completed a total of 81,874 rating assignments till March 31, 2020. On a cumulative basis, the amount of debt rated instruments increased to Rs. 141.10 lakh crore as of March 31, 2020. The total number of new rating assignments declined by 43.0% in 2019-20. The moderation can, in large part, be ascribed to the decline in bank facility ratings. The total volume of new debt rated decreased by 36.0% from Rs. 19.91 lakh crore in 2018-19 to Rs. 12.73 lakh crore in 2019-20, mainly on account of broad-based decrease in debt rated volume across categories.

CARE Advisory Research and Training Limited

CARE Advisory Research and Training Limited (CART) is a wholly owned subsidiary of your Company which was incorporated on September 06, 2016. CART is in the business of Advisory, Research and Training.

Advisory division

CART offers services in the field of transaction advisory (Valuation, IM preparation), Banking services support (TEV, LIE, vetting of resolution plans, Machinery Cost vetting), Corporate Advisory (DPR, Business plan preparation, Financial Improvement Plan, Financial Appraisal) and Risk Management Services (Risk related policy documents, Credit assessment models).

Research Division

CART services a variety of business needs of its Domestic and Multinational clients with credible, high-quality research and analysis on various facets of the Economy and Industries.

Training Division

The Company caters to the training needs of corporates and professionals through its training programmes which are offered through on-line as well class room mode.

CARE Risk Solutions Private Limited (CRSPL)

Our wholly owned subsidiary CARE Risk Solutions Pvt. Ltd (CRSPL) is a leading fin-tech company which provides Risk Management and financial compliance software solutions for Banking, Financial Services and Insurance (BFSI) sectors with its Enterprise Risk Management suite (ERM), Asset Liability Management (ALM), Fund Transfer Pricing (FTP), International Financial Reporting Standards (IFRS) & Financial Reporting Application, Lending suite and Early Warning systems. The focus of the organization is multi-fold and is directed at innovative disruption and digitization to enable financial institutions meet the compliance norms and move towards leveraging risk management from a strategic perspective. It involves robust effort on technology R&D and product compliance to central bank's regulation across geographies and rapid and timely implementation.

CRSPL has the soul of an agile start up and the maturity of an established specialist in creating and delivering advanced technology solutions for its customers. CRSPL's exceptional product and immaculate implementation framework has helped them to partner with the best names in the Financial Technology globally and regionally.

Global ventures

Our global subsidiaries such as CARE Ratings Africa and CARE Ratings Nepal Limited are already in operation and would be gradually seeking a wider market in ratings and other allied services. We believe that these companies would become progressively larger in the next few years with their operations becoming scalable. We are also exploring other regions too as part of widening our presence in the global rating space.

CARE Ratings (Africa) Private Limited (CRAF)

CARE Ratings (Africa) Private Limited (CRAF) is the first credit rating agency to be licensed by the Financial Services Commission of Mauritius from May 7, 2015. It is also recognized by Bank of Mauritius as External Credit Assessment Institution (ECAI) from May 9, 2016. In February 2020, CRAF has received the approval of the Capital Markets Authority of Kenya to operate as a Credit Rating Agency in Kenya under the Capital Markets Act and the Regulations and Guidelines issued thereunder.

During FY20, the Company has assigned ratings to 28 corporates of Mauritius including renowned Corporates like The Mauritius Commercial Bank Ltd., Bank One, CIEL, CIM, Leal, Omnicane, Alteo, MUA and ENL. In FY20, CRAF has assigned credit ratings to bank facilities and bond issue aggregating to around MUR 40.0 billion (MUR 21.0 billion in FY19). There has been an increase in awareness about the concept of Credit Rating among Banks and Corporates and clear understanding of the benefits from such Ratings.

CARE Ratings Nepal Ltd. (CRNL)

CRNL is incorporated in Kathmandu, Nepal as a credit rating agency and is licensed by Securities Board of Nepal w.e.f. November 16, 2017. CRNL has done 93 rating assignments in FY20. In short span of time, CRNL has been able to expand its operations and has added more than 200 clients till March 31, 2020 since inception.

D. Outlook

The outlook for FY21 is likely to be exceptionally challenging as it started with the further continuation of a lockdown which was almost absolute in April 2020 and was relaxed only partially in some segments and states in May and June 2020. With the services sector being particularly being affected by social distancing norms, it would take time for most of them to commence even at minimal capacity utilization rate. Labour problems and logistics issues have further compounded problems for industry. The RBI has been proactive in further lowering rates and inducing liquidity into the system but the preference of banks has been for higher rated companies as there is a fairly significant modicum of risk-aversion that is evident.

The government's economic package which includes loan guarantees bodes well for industry and could be a positive for bank credit. The same holds for the guarantee being given for NBFC borrowing in the bond market. But with economic growth for FY21 to be negative for sure, investment would drop further and hence buoyancy in the debt and credit markets will be limited and confined to specific sectors and higher rated companies that have not been adversely affected by the lockdown.

While we do expect the third and fourth quarters to show some signs of recovery in specific sectors like infrastructure and related industries, a lot depends on how the government pursues the Unlock policy. This would have a bearing on the funds raised in the system which drives rating business. We would hence be guarded about the overall economic picture for FY21 as we do see negative economic growth and limited upside to credit growth consequently. The actions of the government and RBI would mitigate the effects to an extent but the year for the credit rating business will remain challenging.

We are embarking on a multi-pronged approach to expand business at the subsidiaries. We would be offering services in the fields of customized research and advisory through our subsidiary CART. Our other subsidiary CARE Risk Solutions would augment our Group's business through selling risk solution products to various lending institutions in India and overseas.

This year will remain volatile in terms of opening up of the economy to be interspaced with periodic and localized lockdowns which may also mean disruption in the way we do business including working from home which may be more of a norm than an exception until a solution to counter the pandemic.

We do however believe that the strategies that have been outlined will work significantly to de-risk our business and while the results may not be apparent in the short run will lay the foundation firmly during this period.

It must be mentioned that the Board has appointed Mr. Ajay Mahajan as Managing Director and CEO of our company to steer the ship through these challenging times. He comes with a wealth of experience in the banking and financial sector and would be driving the campaign of taking your company to a new level.

E. Risks and Concerns

As a credit rating agency registered with SEBI, CARE Ratings is subject to various types of risks, in its business and operations. The risk factors may be classified under four headings: operational, business, market and compliance.

Operational Risks

Operational risks encompass people, process, fraud and technology risks. These have all been addressed by your company with appropriate measures.

- Talent is harnessed with continuous training for upgradation of skills and creation of an empowering environment for every individual to ensure that we attract and retain talent.
- The Ratings Operations manual provides a rigorous SOP to be adhered to while executing an assignment with periodic audits to ensure compliance. We have also used the services of an external consultant in this year to make our system even more robust.
- Our fairly comprehensive code of conduct to address issues of fraud and maintenance of confidentiality is ingrained in every employee at the time of joining the organization and buttressed through the year in various sessions organized by the senior Group Heads to drive home these principles.
- CARE has in place a comprehensive IT security policy to address risks involving significant security breaches, breakdowns in computer systems and network infrastructure. We employ security systems, including firewalls and intrusion detection systems, conduct periodic penetration testing for identification and assessment of potential vulnerabilities and use encryption technology for transmitting and storing critical data. We are pleased to inform you that when the nation went for a lockdown, we were able to work from home with minimal disruption especially to our ratings related work which had to be completed by March end.

Business Risk

Business risk is in the areas of competition, availability of information, Issuers not cooperating, reputation risk and non-payment of fees by clients. These have been addressed by working towards creating a niche for ourselves to stay ahead of competition. As there are a total of 7 rating agencies in the rating space, there are challenges on acquiring and retaining clients as well as being able to charge the requisite fee. Non-availability of information impacts the quality of our ratings as is the case with the INC ratings where we have to work with minimum information in the public space. Further, non-payment of fees is a challenge for us as surveillance income is a very important component of our rating income. To address issues on reputation related to our ratings we have streamlined the process even further to ensure that there is more robustness in our processes and hence ratings. Going forward, the processes will get augmented with the use of best digital technologies.

Market Intelligence Risk

Market Intelligence risk includes the ability to have superior prognosis in detecting declining ability of companies to service their debt and sending the signal well in advance. This is something which can also affect the reputation of the firm as any default especially of a market instrument like a bond can affect the individual investor. We are, therefore, working towards strengthening our market intelligence systems to ensure that we are ahead of the curve.

Market Risk (Investment)

We also run the risk of our investment portfolio being affected by changes in interest rates as we do have a fairly sizeable investment portfolio. Here we do have a very conservative investment policy which concentrates more on preserving the shareholders' assets by balancing risk with returns.

Compliance and Other Related Risks

The compliance and other related risks arise due to the regulatory structure in which we operate. CARE's software interface maps

the entire workflow in the rating process, affixing responsibility of various stakeholders and captures timelines of key activities. The interface also sends out periodic alerts to supervisors on deviations and gives comprehensive MIS reports for monitoring. We also have an internal audit department to look into on an ongoing basis, compliance of various internal and external guidelines. Also, the legal risk arising from companies not being satisfied with our ratings is possible and we do try and ensure that all are processes are robust so that we are ringfenced well in every respect.

Further, there could be a possibility of regulatory actions in the form of adjudication proceedings against CARE on account of any defaults or sharp rating transitions. In the past, such an action has been initiated against CARE and penalty levied. Such actions by the regulator can have adverse impact on the company's performance since it can create negative perception about CARE's ratings in the minds of issuers and investors. We are committed towards strengthening our systems and processes continuously in tune with market requirements and our own studies to critically study past instances and identify root causes of sharp rating transitions.

It may also be noted that a major portion of CARE's ratings business is driven by regulatory requirements or requires accreditation, recognition or approval from government authorities. CARE is recognized by RBI as an eligible credit rating agency for Basel II implementation in India; and commercial paper is mandatorily rated in India. In the event that there are changes to these regulations or norms, there may be a decrease in the demand for ratings. Implementation of the Internal Rating Based (IRB) approach by RBI may make rating non-mandatory by those banks for whom IRB approach is approved by RBI.

During the year, we had appointed external consultants for suggesting improvements to our processes and systems with a view to modernizing the same. During the year, the rating process was also strengthened with sectoral committees and enhanced transparency aided by technology.

Governance and oversight

Your company has a revamped Board of Directors with majority of independent Directors who bring with them rich experience in finance, economics, regulatory affairs and insurance industry. This ensures the provision of cutting-edge guidance to the management to take some innovative decisions.

F. Internal Control Systems and their Adequacy

CARE has implemented an internal control framework to ensure all assets are safeguarded and protected against loss from unauthorized use or disposition, and transactions are authorized, recorded and reported correctly. The framework includes internal controls over financial reporting, which ensures the integrity of financial statements of the company and reduces the possibility of frauds.

The Internal Audit and Criteria Team issues well documented operating procedures and authorizations with adequate built-in controls. These are carried out at the beginning of any activity and all through the process, to keep track of any major changes. As part of the audits, they also review the design of key processes, from the point of view of adequacy of controls.

Company's statutory auditors have audited the financial statements and issued a report on your Company's internal control over financial reporting as defined in Section 143 of the Companies Act, 2013 (the 'Act'). The said report is annexed to the independent auditor's report.

G. Discussion on financial performance with respect to operational performance.

Our performance in Financial Year 2019-20

Total income on a standalone basis for the year ended March 31, 2020, was at Rs.250.44 crore, compared with Rs.327.19 crore for the year ended March 2019. PAT for the year was at Rs. 80.50 crore, compared with Rs.134.99 crore in the corresponding previous year.

The volume of debt rated decreased by 36.1% from Rs. 19.91 lakh crore in 2018-19 to Rs. 12.73 lakh crore in 2019-20. During the year, your company rated 5,343 instruments. The decline in the volume of debt rated was on account of decrease of 51.1% in the bank loan rating and long-term instruments by 22.1% compared with that in the previous year. The BFSI sector was dominant in debt issuances as were PSUs in terms of ownership. Being large borrowers in the market, the fees charged is not proportional to the rated amounts.

Operating performance

CARE Group's operating performance at the end of the year were as follows:

Group Operating Performance (Rupees in Crore)

<i>Details</i>	<i>At March 31, 2020</i>	<i>At March 31, 2019</i>	<i>Growth %</i>
Income			
Revenue from operations	243.64	318.97	-23.6
Other Income	31.47	30.39	3.6
(A) Total	275.11	349.36	-21.3
Expenses			
Employee Cost	109.27	102.81	6.3
Depreciation & Amortization	7.77	3.33	133.3
Finance Cost	0.93	-	
Other Expenses	53.05	41.50	27.8
(B) Total Expenses	171.02	147.63	15.8
Profit Before Tax (A-B)	104.09	201.73	-48.4
Tax Expenses	20.61	63.66	-67.6
Profit After Tax	83.48	138.07	-39.5

For the group as a whole, the total income came down by 21.3% from Rs 349.36 crore in FY19 to Rs 275.11 crore in FY20. The share of CARE Ratings in the Group's total income is around 90%. As can be seen in the table above, the decline in total income on a consolidated basis was due to a decline in revenue from operations by 23.6%. Total expenses increased by 15.8% mainly due to

1. Increase in employee cost by 13% which was offset by savings on ESOP cost by Rs. 7.39 Crores leading to net increase in employee cost by 6.3% during FY20.
2. Increase in 'Other expenses' by 27.8% in FY20 due to one-time expenses incurred on forensic audit and consultants engaged for process improvement assignments.

With total expenses increasing and total income coming down, profits before tax declined by 48.4% and PAT by 39.5%.

The table below gives some important ratios for the CARE Group of companies.

Important ratios: Group Companies

<i>Ratios</i>	<i>FY 2019-20</i>	<i>FY 2018-19</i>
Debtors Turnover	5.96	6.75
Current Ratio	4.95	5.71
Operating Profit Margin (%)	29.8%	53.7%
PAT Margin (%)	30.3%	39.5%
Return on Net worth (%)	15.4%	25.0%

Due to the decline in profits, the profitability ratios have been affected as can be seen in the table above where Operating Profit Margin, PAT margin and RoNW have declined in FY20. PAT margin stood at 30.3% (39.5% last year) and return on net worth was 15.4% (25.0% last year).

Property, Plant, Equipment

Group's Property, Plant, Equipment and Intangible assets at the end of the last two years were as follows:

Property, plant and equipment as of March 31 (Rs. Crore)

<i>Particulars</i>	2020	2019	Growth %
Property, plant, equipment etc.	109.40	92.32	19
Less accumulated depreciation	15.77	9.22	71
Net Block	93.63	83.10	13
Depreciation as % Total income	3	1	196
Accumulated depreciation as % gross block	14	10	44

There was a 18.5% increase in property, plant and equipment mainly due to IND-AS 116 impact for right to use assets.

Investments

The Group's investment and treasury position as of the end of the year and comparable figures for previous year is presented below.

Group Investments as of March 31 (Rs. Crore)

<i>Particulars</i>	2020	2019	Growth %
Non-Current Investments			
Investments in Equity instruments (Unquoted)	13.80	13.66	1.0
Investment in Mutual Funds & Others (Quoted)	212.30	235.81	-10.0
(A) Total	226.10	249.47	-9.4
Current Investments & Treasury			
Investment in Mutual Funds & Others (Quoted)	112.85	189.19	-40.4
Cash and Bank Balances	6.99	19.82	-64.7
Fixed Deposits	107.28	10.02	1051.76
(B) Total	227.13	219.03	3.7
Grand Total (A) + (B)	453.23	468.50	-3.3

Overall, there was a minor decline in total investments from Rs 468.50 crore as on March 31, 2019 to Rs 453.23 crore as on March 31, 2020. There was a decline in non-current investments by 9.4% while current investments and treasury increased by 3.7%. Within non-current investments, there was a decline in investment in mutual funds and others from Rs.235.81 crore to Rs.212.30 crore. Within current investments, there was a decline of 40.4% in investments in mutual funds & others (by Rs 76.34 crore) and an increase in fixed deposits by Rs 97.26 crore.

Receivables

The Group's trade receivables are presented below.

Group's Trade Receivables as of March 31 (Rs. Crore)

<i>Particulars</i>	2020	2019	Growth %
Ratings & other services (Net)	36.02	43.14	-16.5
Non-Ratings	4.87	4.12	18.2
Total	40.89	47.26	-13.4

There was a decline in receivables on ratings business by Rs 7.12 crore while those on non-ratings increased marginally by Rs 0.75 crore. Reduction in trade receivable is due to consistent efforts for recovery through the year.

H. Material Development in Human Resources / Industrial Relations front, including number of people employed.

The level of analytical expertise has a bearing on the quality of the ratings assigned by a credit rating agency wherein human resources play an important role in the business. We have always believed in picking up the right talent to ensure that the right skills and competencies are available for executing the business objectives and encouraging them to think independently while working in teams in order to enhance the quality of rating. We further enrich their talents by way of conducting induction and training programmes which are conducted by experts in the field. In addition, systematic training programs have been conducted to build and enhance key functional and behavioural competencies for both new recruits and existing employees.

As on March 31, 2020, we had 646 employees (P.Y.:633). Around 90% of the staff is professionally qualified in the areas of management, CA, CS, legal, economics, engineering etc. holding professional or post graduate degrees.

Details pertaining to remuneration as required under section 197(12) of the Companies Act, 2013 read with rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Amendment Rules, 2016.

1. The percentage increase in remuneration of each Director, Chief Financial Officer and Company Secretary during the financial year 2019-20, ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the financial year 2019-20 and the comparison of remuneration of each Key Managerial Personnel (KMP) against the performance of the Company are as under:

Sr. No.	Name of the Director / KMP & Designation	Remuneration of Director / KMP for financial year 2019-20 (Amt in Rs.)	Remuneration of Director / KMP for financial year 2018-19 (Amt in Rs.)	% increase/ (decrease) in Remuneration in the financial year 2019-20	Ratio of Remuneration of each Director / to median remuneration of employees
1.	Mr. S. B. Mainak, Chairman & Independent Director (upto February 11, 2020)	19,50,000	23,00,000	(15.22%)	2.45:1
2	Mr. Adesh Kumar Gupta Independent Director	22,50,000	13,50,000	66.67%	2.83:1
3.	Mr. Najib Shah Independent Director (w.e.f. July 17, 2019)	12,00,000	-	N.A.	1.51:1
4.	Dr. M Mathisekaran Independent Director (w.e.f. August 19, 2019)	9,00,000	-	N.A.	1.13:1
5.	Mr. Ananth Narayan Gopalakrishnan Independent Director (w.e.f. August 19, 2019)	12,00,000	-	N.A.	1.51:1
6.	Ms. Sonal Gunvant Desai Independent Director (w.e.f. March 30, 2019)	20,00,000	-	N.A.	2.51:1
7.	Mrs. Sadhana Dhamane, Non-Executive Director (upto August 06, 2019)	8,00,000	18,00,000	(55.56%)	1:1
8.	Mr. V. Chandrasekaran, Non-Executive Director (w.e.f. November 15, 2017)	20,50,000	12,00,000	70.83%	2,57:1
9.	Mr. Rajesh Mokashi, Managing Director & CEO (upto July 17, 2019)	1,11,27,817	2,79,25,430	(60.15%)	13.98:1
10.	Mr. T. N. Arun Kumar, Executive Director	1,01,89,724	1,05,13,503	(3.08%)	12.80:1
11.	Mr. Mehul Pandya, Executive Director	97,77,312	93,29,511	4.80%	12.28:1
12.	Mr. Navin Kumar Jain Executive Director & Company Secretary (w.e.f. Feb 12, 2019)	74,99,089	8,57,181	774.85%	9.42:1

13.	Mr. Bharat Assudomal Adnani Chief Financial Officer (w.e.f. August 19, 2019)	27,89,216	-	N.A.	3.50:1
14.	Mr. Nitinkumar Agrawal, Chief Financial Officer (Upto July 18, 2019)	13,59,861	11,92,032	14.08%	1.72:1

2. The remuneration to Non-Executive & the Independent Directors is sitting fees paid to them for attending the Board and the Committee meetings in the financial year 2019-20. The sitting fees paid to the Non-Executive and the Independent Directors were Rs. 1,00,000/- for attending each Board meeting and Rs. 50,000 for attending each Committee Meeting.
3. The median remuneration of employees of the Company during the financial year 2019-20 was Rs. 7,96,000/-
4. There were 646 employees on the rolls of Company as on March 31, 2020
5. Increment/revision yet to be decided for the FY 2019-20
6. It is hereby affirmed that the remuneration paid is as per the Remuneration Policy for Directors, Key Managerial Personnel and Senior Management.

BUSINESS RESPONSIBILITY REPORT

Pursuant to regulation 34(2)(f) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (amended from time to time)

INTRODUCTION

We, CARE Ratings Limited entrust our people with responsibility and freedom to operate, and empower them by creating an environment that is conducive to performance, thus motivating them to perform better each year. We have a strong record of shareholder value creation through regular dividends. As one of the pioneers of credit rating in Indian market, we are responsible for several rating innovations for our customers.

This Business Responsibility Report articulates our activities based on the nine-principle framework of National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business. The policy and practice under each principle is explained in subsequent paragraphs with correlation to the Securities and Exchange Board of India (SEBI) reporting format, appended at the end of the Report.

Section A: General Information about the Company		
1.	Corporate Identity Number (CIN) of the Company	: L67190MH1993PLC071691
2.	Name of the Company	: CARE Ratings Limited
3.	Registered Office Address	: 4 th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion East, Mumbai - 400022
4.	Website	: www.careratings.com
5.	Email id	: Investor.relations@careratings.com
6.	Financial Year reported	: 2019-20
7.	Sector(s) that the Company is engaged in (Code - Wise)	: 66190 - Financial Services other than securities dealing activities
8.	List three key products/services that the Company manufactures / provides (as in balance sheet)	: Ratings: Providing credit ratings including Debt ratings, Bank Loan Ratings, Recovery ratings, SME ratings, other grading services. Information services Economic and Industrial Research (available to all on website)
9.	Total number of locations where business activity is undertaken by the Company:- Number of International Locations Number of National Locations	: The Company currently operates with 10 branches across all over India. Further, the Company is having a subsidiary company in Mauritius and Nepal. One each wholly owned subsidiaries in Mumbai & Navi Mumbai. 2 (Subsidiary Companies) 10 (Branches)
10.	Market Served by the Company – Local/State/ National / International	: Domestic : India International : Mauritius and Nepal

Section B: Financial Details of the Company			
1.	Paid up Capital:	:	Rs. 29.46 crore.
2.	Total Turnover (Rs):	:	Rs. 219.10 crore.
3.	Total Profit after taxes (FY19) (Rs):	:	Rs. 80.50 core.
4.	Total Spending on Corporate Social Responsibility [CSR] as percentage of average Net Profit of the company for last 3 financial years:	:	The Company has spent Rs.5.27 crore – 135.82% of the prescribed CSR expenditure of Rs.3.88 crore (being the 2% of the average net profit of the Company for the last three years as mandated in the Companies Act, 2013.)
5.	List of activities in which expenditure in 4 above has been incurred:-	:	As per Annexure VI forming part of Directors Report

Section C: Other Details			
1.	Does the Company have any Subsidiary Company/ Companies?	Yes. The Company has 4 subsidiaries: CARE Risk Solutions Private Ltd CARE Advisory Research and Training Limited CARE Ratings (Africa) Private Limited CARE Ratings Nepal Limited	
2.	Subsidiaries participating in Company's Business Responsibility (BR) Initiatives	Nil	
3.	Other entities ((e.g. Suppliers, distributors etc.) participating in Company's BR initiatives	Nil	

Section D: Other Details			
1.	Director responsible for implementation of BR policies -	:	
	Director Identification Number (DIN) Name Designation		05108777 Ajay Mahajan Managing Director and CEO
2.	(a) Details of BR Head	:	No director has yet been nominated.
	DIN Number (if applicable) Name Designation Telephone number Email id		- Mehul Pandya Executive Director 022 – 67543456 mehul.pandya@careratings.com

Section D (2) : BR Information										
Principle - wise (as per NVGs) BR Policy/ Policies (YES / NO)										
No.	Questions	P 1	P 2	P 3	P 4	P 5	P 6	P 7	P 8	P 9
1	Do you have a policy/policies for Business Responsibility	Y	Y	Y	Y	Y	Y	N	Y	Y
2	Has the policy being formulated in consultation with the relevant stakeholders?	Y	Y	Y	Y	Y	Y	-	Y	Y
3.	Does the policy conform to any national / international standards? If yes, specify? (50 words)	The policies of the Company are developed and aligned to applicable legal requirements, guidelines and the requirements of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 (as amended from time to time). CARE has aligned its code of conduct with 'Code of Conduct Fundamentals for credit rating agencies' (the 'IOSCO Code') issued by the International Organization of Securities Commissions (IOSCO), as amended upto July 2018. These are available at http://www.careratings.com/pdf/aboutus/IOSCOCode-24Jul18.pdf								
4	Has the policy being approved by the Board? If yes, has it been signed by MD/ owner /CEO/ appropriate Board Director?	Approved at desired level as required by law	Approved at desired level as required by law	Approved at desired level as required by law	Approved at desired level as required by law	Approved at desired level as required by law	Approved at desired level as required by law	-	Approved at desired level as required by law	Approved at desired level as required by law
5	Does the company have a specified committee of the Board/ Director/ official to oversee the implementation of the policy?	Y	Y	Y	Y	Y	Y	-	Y	Y
6	Indicate the link for the policy to be viewed online?	The following policies are available on the Company's website www.careratings.com 1. CARE's Code of Conduct for Directors, Rating Committee Members and Employees of CARE. (http://www.careratings.com/about-us.aspx#CodeOfConduct) 2. Whistle Blower Policy (http://www.careratings.com/pdf/investor/WhistleBlowerPolicy-2019.pdf) 3. Corporate Social Responsibility Policy (http://www.careratings.com/pdf/investor/CSR-Policy-on-website.pdf) 4. Gift policy (http://www.careratings.com/pdf/resources/CARE'sGiftPolicy27June2017.pdf)								
7	Has the policy been formally communicated to all relevant internal and external stakeholders?	Y	Y	Y	Y	Y	Y	-	Y	Y

8	Does the Company have in-house structure to implement the policy/ policies.	Y	Y	Y	Y	Y	Y	-	Y	Y
9	Does the Company have a grievance redressal mechanism related to the policy/ policies to address stakeholders' grievances related to the policy/ policies?	Y	Y	Y	Y	Y	Y	-	Y	Y
10	Has the company carried out independent audit / evaluation of the working of this policy by an internal or external agency?	The Head of Departments are responsible for the effective implementation of the policies. The Compliance Department monitors the adherence to the implementation of these policies as mandated by the respective Regulators.								

If answer to S.No.1 against any principle, is "No" please explain why: (Tick up to 2 options):

No.	Questions	P 1	P 2	P 3	P 4	P 5	P 6	P 7	P 8	P 9
1	The company has not understood the Principles	--	--	--	--	--	--	--	--	--
2	The company is not at a stage where it finds itself in a position to formulate and implement the policies on specified principles	--	--	--	--	--	--	--	--	--
3	The company does not have financial or manpower resources available for the task	--	--	--	--	--	--	--	--	--
4	It is planned to be done within next 6 months	--	--	--	--	--	--	--	--	--
5	It is planned to be done within the next 1 year	--	--	--	--	--	--	--	--	--
6	Any other reason (please specify)	--	--	--	--	--	--	--	--	--

# Principle – wise policies	
P1	Businesses should conduct and govern themselves with Ethics, Transparency and Accountability.
P2	Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle.
P3	Businesses should promote the wellbeing of all employees
P4	Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalised.
P5	Businesses should respect and promote human rights
P6	Business should respect, protect, and make efforts to restore the environment
P7	Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner
P8	Businesses should support inclusive growth and equitable development
P9	Businesses should engage with and provide value to their customers and consumers in a responsible manner

Section D (3) : BR Governance		
a)	Indicate the frequency with which the Board of Directors, Committee of the Board or CEO to assess the BR performance of the Company. Within 3 months, 3-6 months, Annually, More than 1 year	The policies are reviewed by the Board once in a year and as and when the changes are made in these policies, the same are placed before the Board.
b)	Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published?	Business Responsibility Report forms part of the Annual Report which is published every year and also uploaded on the website of the Company www.careratings.com .

Section E: Principle - wise Performance		
Principle 1: Businesses should conduct and govern themselves with Ethics, Transparency and Accountability.		
1.	Does the policy relating to ethics, bribery and corruption cover only the company? Yes/ No. Does it extend to the Group/Joint Ventures/ Suppliers/Contractors/ NGOs/ Others?	Yes, the Company has a Code of Conduct (Code of Ethics) for Directors and Senior Management. Further, the Company has a Code of Conduct for Directors and Employees of CARE. This Code of Conduct is circulated to all the employees at the beginning of the financial year and to the new employees at the time of their induction. Each individual employee and Director is required to confirm his/ her acceptance of the Code of Conduct. Further, the Company has a Whistle Blower Policy which establishes the necessary mechanism for employees to report to the management concerns about unethical behavior or actual or suspected fraud or violation of the Company's Code of Conduct or ethics policy. We also have a gift policy which details the circumstances under which gifts can be accepted and also a monetary ceiling has been stipulated. The Company has many Channels of communications, including grievance redressal mechanisms, for stakeholders to communicate their expectations and concerns. Yes, it applicable to subsidiaries.
2.	How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management? If so, provide details thereof, in about 50 words or so.	CARE has formulated the Whistle Blower Policy, with a view to establishing a vigil mechanism whereby all the stakeholders, directors and employees, are encouraged to report illegal, unethical or improper activities through established channels, enabling an ethical and corruption free work environment and also safeguarding stakeholders, directors and employees against victimisation. In the financial year 2019-2020, 102 complaints with respect to Non-receipt of Annual Report and Dividend were received by the company and the same were satisfactorily (100%) resolved by the management.

Principle 2: Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle

1. List up to 3 of your products or services whose design has incorporated social or environmental concerns, risks and/or opportunities.

CARE Ratings is a credit rating agency being in the services sector where business operations take place in office space and is not directly involved with the environment. However, as we are very cognizant of the environment there are specialized products that we deal with which evaluate how companies deal with it. Also we do look at the impact companies have on environment when do our ratings assignments.

We do have various grading products that are directed to improvement of the environment. These are:
ESCO grading specializes in energy audits and implementation of energy efficiency practices in a particular organization. Under Bureau of Energy Efficiency (BEE) platform CARE Ratings carries out assessment of Energy Service Companies (ESCO) ESCOs are the entities which by way of engaging in a performance based contract with a client firm to implement energy conservation measures and costs in a technically and financially viable manner.

CARE Ratings also carries out the Accreditation/Grading exercise for Renewable Energy Service Companies (RESCOs) and System Integrators (SI).

On the social front CARE Ratings has dedicated teams for rating infrastructure projects which have social implications. Two special products which need mention are:

- Expected Loss ratings which has been developed in consultation with the Ministry of Finance and provides an additional input of recovery prospects to assess expected loss.
- Infrastructure investment trusts (InvITs) which involves rating of debt of these trusts including partial guarantees structures.

Outside the business frontier, a social good provided by the company is high quality incisive research in economics and industry to the general public. This can be used for information purposes as well as for taking business decisions by the consumers. Also the functions organized on various subjects relating to ratings and the debt market is complimentary as the objective is to spread awareness.

Further, being in the business of credit rating, the Company has launched all its products taking into consideration the SEBI guidelines. The Company while assigning its ratings does take into consideration any stricture passed by any Government agency such as pollution control board etc. to the extent it may affect the client company's business. The details of the new product and its rationale are submitted to SEBI before its launch. Further, the Company has a Corporate Social Responsibility Policy as per the requirements of the Companies Act, 2013.

2. For each such product, provide the following details in respect of resource use (energy, water, raw material etc.) per unit of product(optional):

Reduction during sourcing / production / distribution achieved since the previous year throughout the value chain?
– Not applicable

b) Reduction during usage by consumers (energy, water) has been achieved since the previous year?
– Not applicable

3. Does the company have procedures in place for Sustainable sourcing (including transportation)?

a) If yes, what percentage of your inputs was sourced sustainably? Also, provide details thereof, in about 50 words or so. CARE Ratings, being a credit rating agency belongs to services sector and therefore, is relatively less resource intensive in terms of material requirements. Typically the consumables are office stationery, IT-related material, etc. However, despite the volume consumed, the strategy has been localised sourcing, a practise which is followed by every regional office so as to avoid unnecessary transportation and creation of carbon footprint.

As an organization we do work towards less use of paper in the company keeping in mind the environment. All rating notes are circulated by email and use of paper is minimized. Also all rating meetings are held across the country through video conferencing which helps to save on travel costs and reduces environmental degradation to this extent.

4. Has the company taken any steps to procure goods and services from local & small producers, including communities surrounding their place of work?

If yes, what steps have been taken to improve their capacity and capability of local and small vendors?

To the extent we print business material; we do use the services of SME level printers in relevant locations. In this way we have helped the small enterprises to grow their business. Also to the extent that we procure material for our functions, we do tend to rely on local vendors which helps sustain relevant communities. Prompt and timely payment is ensured while doing any business with them.

5. Does the company have a mechanism to recycle products and waste? If yes what is the percentage of recycling of products and waste (separately as 10%). Also, provide details thereof, in about 50 words or so.

Given the nature of our business, we do not have any recyclable waste as the only waste is the regular disposal of garbage.

Principle 3: Businesses should promote the wellbeing of all employees

Employees are the main asset of the company as the business of credit rating is based on knowledge which is manifested in the skills of the employees. CARE Ratings hires its staff at both the entry level as well as laterally based on requirement and merit. As the focus is on merit the company is agnostic to the background and hence is an equal opportunity employer for potential candidates. Once recruited the employees are put through internal training and given a very good open learning environment which helps in personal development. Higher levels of responsibility are allocated to the deserving employees while a career path is chalked out for everyone. When required, lateral recruitment takes place so that there is continuity and there is never a shortfall of leadership at various levels.

Besides a competitive remuneration the company offers several employee engagement activities which fosters team building. Celebrating functions, giving gifts on birthdays, gift cards for festivals, organizing games etc. are all part of this process. The company also offers a flexible work from home policy for those who require such a facility.

1. Please indicate the Total number of employees as on 31.03.2020

646

2. Please indicate the Total number of employees hired on temporary basis / Contractual / casual basis as on 31.03.2020

222 Contractual Employees

3. Please indicate the Number of permanent women employees as on 31.03.2020

219

4. Please indicate the Number of permanent employees with disabilities.

There are no employees with disabilities.

5. Do you have an employee association that is recognized by management

The Company does not have any employee association. All the grievances of employees are resolved directly with the concerned departments.

6. What percentage of your permanent employees is members of this recognized employee Association?

Not Applicable

7. Please indicate the Number of Complaints relating to Child labour, forced labour, involuntary labour, sexual harassment in the last financial year and pending, as on the end of the financial year

No complaints related to child labour, forced labour, involuntary labour, sexual harassment were received during the year.

8. What percentage of your under mentioned employees were given safety & skill upgradation training in the last year?

Safety training for contingencies like fire has been carried out for the employees. Skill upgradation is an ongoing process and given the niche business we are in, there is on the job training and several lecture sessions given on various subjects by senior analysts.

Principle 4: Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized.

1. Has the company mapped its internal and external stakeholders?

Yes, the company has mapped both the internal and external stakeholders. These are shareholders, clients, employees, regulators and society at large.

The company is constantly in touch with shareholders and potential investors apprising them of the developments on the business front. We attend several investors' conferences and address queries of investors and the MD & CEO represents the company in most of these gatherings. All investor grievances are attended to immediately. CARE also has provided the email id on which the stakeholders can send their queries or grievances. These mails are discussed by the executives responsible and are replied accordingly.

Clients are provided high quality service and provided with information intense research on the economy and industries as a value added service.

Employees are engaged in different activities to make the working environment more agreeable. Town hall sessions are also held with employees to get a feedback on how to make CARE a good place to work for.

The company is in constant touch with the regulators appraising them on developments in the rating business.

Our information sharing exercise in the form of economics and industry research is available to everyone on the web site. This is used by business and student community extensively. Also our outreach programmes in the form of awareness sessions especially for SMEs is an ongoing process to reach out to this community which is at the core of all government programmes. The company participates as knowledge partners in several conferences on debt markets and specific industries like steel, roads, commodities etc. conducted by industry associations like ASSOCHAM, PHDCCI etc.

Our spread of financial literacy through training programmes in the field of credit risk management is a step in this direction which is undertaken by our subsidiary CART.

2. Out of the above, has the company identified the disadvantaged, vulnerable & marginalized Stakeholders

The Company has a Corporate Social Responsibility (CSR) Policy as this principle enunciates the aspect of being responsive towards all stakeholders especially those who are disadvantaged, vulnerable and marginalized. We have provided funds for scholarship and infrastructure improvement to trusts who are involved in benefit of under privileged children.

3. Are there any special initiatives taken by the company to engage with disadvantaged, vulnerable and marginalized stakeholders? If so, provide details thereof, in about 50 words or so.

At the professional level, we also provide ratings for SMEs which are the disadvantaged business group when it comes to sourcing credit from the financial system. Such ratings do help in their development, there are special teams which are tuned to working towards understanding their requirements and addressing them. We believe that helping the SMEs with customized products will help them to join the mainstream as they grow in size, which is also the objective of the government which has focused on this segment.

Principle 5: Businesses should respect and promote human right

1. Does the policy of the company on human rights cover only the company or extend to the Groups / Joint Ventures / Suppliers / Contractors / NGOs / Others?

Yes, the Company's policy on Corporate Social Responsibility which incorporates human rights thought process is directed to identify areas where the Company can contribute to benefit the society. Further, the Company has a grievance redress mechanism in place where any stakeholder can send an email to 'investor.relations@careratings.com' with their query or grievance which are responded to promptly. The report is further put up to the Stakeholders Relationship Committee of the Company. These principles and policy holds for all group companies too.

2. How many stakeholder complaints have been received in the past financial year and what percent was satisfactorily resolved by the management?

The details of the complaints received during the year are mentioned in Principle 1.

Principle 6: Business should respect, protect, and make efforts to restore the environment

1. Does the policy related to Principle 6 cover only the company or extends to the Group/Joint Ventures/Suppliers / Contractors /NGOs/ others.

CARE Ratings is committed to comply with all applicable environmental, health and safety laws and regulations prevailing in the country.

Considering the nature of business, this principle has limited applicability to the Company. As part of our Code of Conduct (Code of Ethics) for Directors and Senior Management, the Company encourages the protection and proper use of its assets. Further, the Company complies with applicable environmental regulations in respect of its premises and operations.

2. Does the company have strategies/ initiatives to address global environmental issues such as climate change, global warming, etc.? Y/N. If yes, please give hyperlink for webpage etc.

Yes. The Company is consciously striving to be responsible in terms of its actions/ operations and its impact on the environment.

CARE has taken certain initiatives to create constant awareness about conservation of resources such as paper, water, electricity etc. In all our offices posters carrying meaningful messages have been placed. The idea is to continually reinforce these messages so as not to lose its impact and awareness in the minds of the audience just like any other advertising or promotional campaign. Encouraging efficient usage of resources by conserving paper, electricity and water and avoiding /preventing pollution is most important for sustainability of the environment.

In all our offices, in order to reduce paper usage a lot of processes involving manual documentation across different organisational functions have been moved on to the IT platforms. The key members of the analytical and business teams, who historically used to print notes and circulate hugely aided in reducing paper footprints by obviating the need of printing.

3. **Does the company identify and assess potential environmental risks? Y/N**
Not applicable as we are in service sector.
4. **Does the company have any project related to Clean Development Mechanism? If so, provide details thereof, in about 50 words or so. Also, if Yes, whether any environmental compliance report is filed?**
Not applicable.
5. **Has the company undertaken any other initiatives on – clean technology, energy efficiency, renewable energy, etc. Y/N. If yes, please give hyperlink for web page etc.**

Not applicable.
6. **Are the Emissions/Waste generated by the company within the permissible limits given by CPCB/SPCB for the financial year being reported?**
Not applicable

Number of show cause/ legal notices received from CPCB/SPCB which are pending (i.e. not resolved to 7. satisfaction) as on end of Financial Year.

Nil

Principle 7: Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner.

The interactions with external agencies by CARE Ratings are with the sole purpose of developing the credit rating market which involves both the corporate debt market and bank loan market. This, it is believed will help in the development of the financial sector that will in turn work towards improving the growth prospects of the economy.

1. **Is your company a member of any trade and chamber or association? If Yes, Name only those major ones that your business deals with:**
Yes. Association of Credit Rating Agencies in Asia (ACRAA) and Confederation of Indian Industries (CII) etc.
2. **Have you advocated/lobbied through above associations for the advancement or improvement of public good? Yes/ No;**
if yes specify the broad areas (drop box: Governance and Administration, Economic Reforms, Inclusive Development Policies, Energy security, Water, Food Security, Sustainable Business Principles, Others)

The Company does not take part in lobbying for pecuniary gains.

Participation in ACRAA involves working with other rating agencies in Asia to exchange views on rating and methodologies. The idea is to learn about the global best practices in rating and assessing changing trends.

CARE Ratings regularly engages with the regulators and participates in regular dialogues which them to promote enhanced standards for rating agencies.

The company is working with the regulators to develop the debt market and brings out studies, papers and holds seminars for the same to educate the participants and spread knowledge.

Principle 8: Businesses should support inclusive growth and equitable development**Does the company have specified programmes / initiatives/ projects in pursuit of the policy related to Principle 8? If yes details thereof.**

SMEs and Microfinance Institutions (MFI) are an integral part of the inclusive growth paradigm and CARE Ratings is actively involved in addressing the requirements of this constituency. There are special products customized to the requirements of SMEs/MFI's which will assist them to procure finance. Also ratings for these enterprises are useful for bringing about self-improvement which is what is critical in addressing their structures.

Besides, the Company has a Corporate Social Responsibility Policy which guides all the CSR activities and includes all the activities which the Company can undertake with regard to social and economic development.

Financial literacy is propagated through extensive training programmes in credit risk management by the subsidiary CART. Also continuous flow of research to the community helps business take decisions which in turn bring about growth.

Are the programmes / projects undertaken through in- house team / own foundation / external NGO / government structures/ any other organization?

The SME and MFI rating business is handled by separate divisions within the company. The dedicated set of professionals is located across the country and is in regular correspondence with the SME//MFI community. They organize workshops, awareness programmes and provide all the research inputs including newsletters from the in-house research teams to these units.

For the CSR activity, there is a special team handling the planning and implementation of various schemes.

Have you done any impact assessment of your initiative?

For the SME business there are regular performance parameters which are monitored on a periodic basis. For the CSR activity the provision of facilities has been targeted and end use is monitored by the team.

What is your company's direct contribution to community development projects- Amount in INR and the details of the projects undertaken.

We have a separate SME division which works closely with SMEs.

The CSR allocations are already covered in detail as Annexure IV to the Directors Report

Have you taken steps to ensure that this community development initiative is successfully adopted by the community?

Given the nature of our business, educating the SME is a constant endeavour and the ideology is to have a constant dialogue with them so that they would start getting rated which will help them to manage their finances better.

Amongst the CSR initiatives being conceived are those which are broadly measureable.

Principle 9: Businesses should engage with and provide value to their customers and consumers in a responsible manner.

Our business enables companies to raise funds in the market, investors to choose their financial options of investment and banks their capital requirements. Customers see value in the ratings and this is the raison d'être of our business. We are therefore constantly in the process of engagement with this spectrum of customers which form the core of our business.

What percentage of customer complaints / consumer cases is pending as on the end of financial year

NIL

Does the company display product information on the product label, over and above what is mandated as per local laws?

The Company complies with all disclosures requirements for its product and services and the web site www.careratings.com is a reservoir of such information and knowledge.

The Criteria and methodology used to assign ratings are available on the website in great detail for each and every product.

Each press release also specifies applicable list of criteria for rating. The rationale provided explains the reason for the rating. All changes in ratings are clearly spelt out in the relevant section.

Is there any case filed by any stakeholder against the company regarding unfair trade practices, irresponsible advertising and/ or anti-competitive behaviour during the last five years and pending as on end of financial year. If so, provide details thereof, in about 50 words or so.

No, the company has not received any case filed by any stakeholder against the company for unfair trade practices, irresponsible advertising and/or anti-competitive behaviour during the last five years and pending as on end of financial year.

Did your company carry out any consumer survey/consumer satisfaction trends?

Yes. The company seeks feedback from its clients on a regular basis.

Detailed surveys are carried out periodically in this context so that it provides inputs to the management to focus on areas where improvement is required.

FORM AOC-1

(Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014 Statement containing salient features of the financial statement of subsidiaries/associate companies/joint ventures

Part "A" : Subsidiaries			
1	Name of the Subsidiary	CARE Risk Solutions Private Limited	
	Reporting period	April to March	
		As on March 31, 2020	As on March 31, 2019
	Share Capital	8,01,35,000	8,01,35,000
	Other Equity	-5,90,93,594	-6,11,78,006
	Total Assets (Non-Current Assets + Current Assets)	20,01,29,860	13,36,26,178
	Total Liabilities (Non-Current Liabilities + Current Liabilities)	17,90,88,131	11,46,69,184
	Details of Investments (excluding investments in subsidiary company)	-	5,14,926
	Revenue from Operations	15,53,07,902	15,49,10,967
	Profit/(Loss) before Tax	40,90,219	1,51,72,845
	Tax Expenses (Deferred Tax)	10,40,657	22,08,737
	Profit/(Loss) for the Year	30,49,562	1,29,64,108
	Proposed / Interim Dividend (including Dividend Tax)	-	-
	% of shareholding	100%	100%

2.	Name of the Subsidiary	CARE Ratings (Africa) Private Limited	
	Reporting period	April to March	
		As on March 31, 2020	As on March 31, 2019
	Share Capital	2,63,01,565	2,64,18,912
	Reserves and Surplus	1,52,48,223	(1,41,127)
	Total Assets (Non-Current Assets + Current Assets)	5,50,86,869	2,73,20,314
	Total Liabilities (Non-Current Liabilities + Current Liabilities)	1,35,37,080	10,42,529
	Details of Investments (excluding investments in subsidiary company)	-	-
	Revenue from Operations	3,71,94,593	2,28,00,859
	Profit/(Loss) before Tax	1,91,03,034	1,13,17,224
	Tax Expenses (Deferred Tax)	25,20,291	-
	Profit/(Loss) for the Year	1,65,82,743	1,13,17,224
	Proposed / Interim Dividend (including Dividend Tax)	-	-
	% of shareholding	78%	78%

3.	Name of the Subsidiary	CARE Advisory Research And Training Limited	
		April to March	
		As on March 31, 2020	As on March 31, 2019
	Reporting period		
	Share Capital	4,09,54,500	4,09,54,500
	Other Equity	1,75,71,310	1,75,49,594
	Total Assets (Non-Current Assets + Current Assets)	6,62,40,212	6,50,54,512
	Total Liabilities (Non-Current Liabilities + Current Liabilities)	77,14,324	65,50,418
	Details of Investments (excluding investments in subsidiary company)	4,99,62,203	5,31,08,351
	Revenue from Operations	3,28,61,996	3,23,96,045
	Profit/(Loss) before Tax	73,689	1,02,00,051
	Tax Expenses including Deferred Tax	52,737	20,80,474
	Profit/(Loss) for the Year	20,953	81,19,576
	Proposed / Interim Dividend (including Dividend Tax)	-	-
	% of shareholding	100%	100%

4.	Name of the Subsidiary	CARE Ratings Nepal Limited	
		April to March	
		As on March 31, 2020	As on March 31, 2019
	Reporting period		
	Share Capital	3,12,50,000	3,12,50,000
	Other Equity	1,35,65,920	49,47,682
	Total Assets (Non-Current Assets + Current Assets)	7,73,52,949	5,47,12,238
	Total Liabilities (Non-Current Liabilities + Current Liabilities)	3,24,23,869	1,85,14,556
	Details of Investments (excluding investments in subsidiary company)	-	-
	Revenue from Operations	3,20,31,719	1,53,54,406
	Profit/(Loss) before Tax	2,02,62,915	88,00,714
	Tax Expenses including Deferred Tax	50,65,729	17,29,762
	Profit/(Loss) for the Year	1,51,97,187	70,70,952
	Proposed / Interim Dividend (including Dividend Tax)	65,78,948	-
	% of shareholding	51%	51%

Part "B": Associates and Joint Ventures

(Statement pursuant to first proviso to section 129 (3) of Companies (Accounts) Rules, 2013 related to Associate Companies and Joint Ventures

Name of the Associate: Not applicable

1. Latest Audited Balance Sheet
2. Shares of Associate/Joint Ventures held by the company on the year end Amount of Investment in Associate/ Joint Venture and the extent of Holding %
3. Description of how there is significant influence
4. Reason why the associate/joint venture is not consolidated
5. Networth attributable to shareholding as per latest audited Balance Sheet Profit/Loss for the year

CORPORATE GOVERNANCE REPORT

Company's philosophy on corporate governance

Corporate governance is about maximizing shareholders value legally, ethically and on a sustainable basis. At CARE Ratings Limited, the goal of corporate governance is to ensure fairness for every stakeholder i.e. our customers, investors, employees, vendor-partners, the community, and the government. We believe that sound corporate governance is critical in enhancing and retaining investor trust. It is a reflection of our culture, our policies, our relationship with stakeholders and our commitment to values. Accordingly, we always seek to ensure that our performance is driven by integrity.

Good governance encompasses conduct of the Company's business in an ethical, transparent, fair and equitable manner with due regard to the interests of the various stakeholders, and exercising proper control over the Company's assets and transactions.

The Company seeks to adopt good corporate governance practices and to ensure compliance with all relevant laws and regulations. The Company conducts its activities in a manner that is fair and transparent and also perceived to be such by others.

Recognizing the need to incorporate the best practices being followed in the corporate space, a CARE 'BOARD CHARTER' has been adopted by the Board of Directors. The Board Charter spells out the membership/composition/term of the Board, rights and obligations of the Board, the various committees of the Board, role of chairman and office, meetings of the Board, etc.

Board of Directors (BOD) of 'CARE' has the obligations for the stewardship of the Company. Accordingly, the BOD shall be responsible for the overall direction, supervision and control of CARE.

The Company has executed Uniform Listing Agreements with the Stock Exchanges pursuant to the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

A report on compliance with the Code of Corporate Governance as on March 31, 2020 as prescribed by Regulation 34 (3) read with Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations) as amended from time to time with the stock exchanges is given below:

1. Board of Directors

The members of the Board of Directors of your Company are expected to possess the required expertise, skill and experience to effectively manage and direct your Company so that it can attain its organizational goals. They are expected to be persons with vision, leadership qualities, a strategic bent of mind, proven competence and integrity.

Each member of the Board of Directors of your Company is expected to ensure that his/her personal interest does not run in conflict with your Company's interest. Moreover, each member is expected to use his/her professional judgment to maintain both the substance and appearance of independence and objectivity.

1.1. Composition, category of directors and other directorship details as on March 31, 2020 are as follows:

As on March 31, 2020, in compliance of Regulation 17 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board has an optimum combination of Executive, Non-Executive and Independent Directors. The Board has Six (6) Directors, of whom Five (5) are Independent Directors, One (1) of them is Non- Executive Directors. The Board has one woman director and more than one third of the Board consists of Independent Directors of the total number of Directors.

The composition of the Board represents an optimal mix of professionalism, knowledge and experience which enables the Board to discharge its responsibilities and provide effective leadership to the business.

All Independent Directors of the Company have been appointed as per the provisions of the Companies Act, 2013 (Act), rules made therein and Listing Regulations. The terms and conditions of their appointment are disclosed on the Company's website.

The Board has constituted various Committees with an optimum representation of its members and has assigned them specific terms of reference in accordance with the provisions of the Act and the Listing Regulations. These Committees meet at such fre-

quency as is deemed necessary, to effectively undertake and deliver upon the responsibilities and tasks assigned to them. The Company currently has Six (6) Committees of the Board viz., (i) Audit Committee (ii) Stakeholders' Relationship Committee (iii) Nomination and Remuneration Committee (iv) Risk Management Committee (v) Corporate Social Responsibility Committee (vi) Rating Sub Committee.

None of the Directors is a member of more than Ten (10) Board-level committees or Chairman of more than Five (5) such committees (Committees includes Audit Committee and Stakeholders Relationship Committee) as required under Regulation 26 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. Further none of the non-executive and independent directors are independent director in more than Seven (7) listed entities and none of the whole time directors are independent directors in more than Three (3) listed entities as required under Regulation 25 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

None of the Directors hold office in more than Twenty (20) companies and in more than Ten (10) public companies as prescribed under Section 165 of the Act. The Board confirms that the Independent Directors fulfill the conditions specified in Section 149 of the Act and Regulation 16(1)(b) of the Listing Regulations and are Independent of the management.

None of the Directors of the Company are inter-se related to each other.

Category	Name of Director	DIN
Non-Executive Director	Mr. V. Chandrasekaran	03126243
Independent Directors	Mr. Adesh Kumar Gupta	00020403
	Ms. Sonal Gunvant Desai	08095343
	Mr. Najib Shah	08120210
	Dr. M. Mathisekaran	03584338
	Mr. Ananth Narayan Gopalakrishnan	05250681

Note:

1. Mr. V. Chandrasekaran (DIN 03126243) who retired by rotation was re-appointed as a Non-Executive Director on the Board w.e.f. September 30, 2019.
2. w.e.f. September 30, 2019.
3. Mr. Najib Shah (DIN 08120210) was appointed as an Independent Director on the Board w.e.f. July 17, 2019.
4. Dr. M. Mathisekaran (DIN 03584338) was appointed as an Independent Director on the Board w.e.f. August 19, 2019.
5. Mr. Ananth Narayan Gopalakrishnan (DIN 05250681) was appointed as an Independent Director on the Board w.e.f. August 19, 2019.
6. 19, 2019.

1.2. Familiarization program for independent directors

The Company has conducted the familiarisation program for Independent Directors during the year. The Program aims to provide insights into the Company to enable the Independent Directors to understand its business in depth, to acclimatize them with the processes, businesses and functionaries of the Company and to assist them in performing their role as Independent Directors of the Company.

The familiarization Programme for Independent Directors is disclosed on the Company's website and the same may be accessed at the link www.careratings.com/Investors.

1.3. Disclosure regarding appointment or re-appointment of directors.

At the ensuing Annual General Meeting, in accordance with the provisions of the Companies Act, 2013, Mr. V Chandrasekaran, Non-Executive Director retires by rotation and being eligible, offers himself for re-appointment.

Detailed profile of Mr. V Chandrasekaran in line with Regulation 36(3) of the Listing Regulations is forming a part of the Notice of the Annual General Meeting.

Resume of Mr. V Chandrasekaran

Mr. V Chandrasekaran is a Non-Executive Director of our Company. He is a qualified Chartered Accountant and retired Executive Director (Investment) LIC of India. He has more than 3 decades of experience in Life Insurance, Housing Finance and Mutual Fund Investment, with adequate exposure to a gamut of Investments. He was also involved in Investment decision making processes, Investment Monitoring & Accounting and Investment Research and Risk Management. He is also a Board Member of various companies.

1.4. Appointment of Mr. Ajay Mahajan as a Managing Director & CEO

At the ensuing Annual General Meeting, in accordance with the provisions of the Companies Act, 2013 it is proposed to appoint Mr. Ajay Mahajan as a Managing Director & CEO of the company. Mr. Ajay Mahajan has been appointed as an Additional Director and as a Managing Director & CEO of the company of your Company with effect from April 15, 2020.

Resume of Mr. Ajay Mahajan

Mr. Ajay Mahajan is a widely experienced banker with 30 years of experience; worked in organizations like Bank of America where he started his career in 1990 and went on to becoming MD & Country Head of Global Markets Group. In Bank of America, he led the initiative of building the first 100% foreign owned NBFC in the country in the area of primary dealership and credit fixed income. Thereafter, he worked in various entrepreneurial assignments including being a part of the management team at inception of Yes Bank in 2004, building UBS' maiden branch in India in 2008 and then working in a hugely transformative role in IDFC which converted from being an Infrastructure Financing NBFC to a full-service commercial bank. Ajay spent the last 7 years at IDFC Bank, building teams, systems, processes and cutting-edge technologies to support the wholesale bank's growth.

Mr. Ajay Mahajan has a Bachelor of Engineering degree in Electrical & Electronics Engineering from BITS Pilani and MBA from FMS (where he was a Gold Medalist). He is also CFA Charter holder from CFA Institute, USA.

1.5. Resignation

During the year 2019- 2020 Mr. S B Mainak, Independent Director of the company resigned from the Board on February 11, 2020 due to personal reasons and necessary confirmation received from Director that there are no other material reasons other than those provided. Mr. Rajesh Mokashi resigned from the services of the Company with effect from December 20, 2019 and subsequently his employment was terminated with effect from July 17, 2019.

1.6. Board Procedure

A detailed agenda circulated to each Director in advance of Board and Committee meetings as prescribed in the Act and Secretarial Standards, All major agenda items are backed by comprehensive background notes and other material information to enable the Board to take informed decisions. Agenda papers (except unpublished price sensitive information) are circulated in advance to the Board and Committee meeting. The Board members, in consultation with the Chairman, may also bring up any other matter for the consideration of the Board.

1.7. Meetings of the Board

The Board of Directors met 13 times during the financial year 2019-2020 on May 21, 2019, June 21, 2019, July 17, 2019, July 31, 2019, August 19, 2019, October 01, 2019, November 04, 2019, November 18, 2019, December 20, 2019, January 14, 2020, January 27, 2020, February 07, 2020 and February 14, 2020. The maximum gap between two Board Meetings was not more than one hundred and twenty days.

Details of attendance

Name of the Directors	No. of Board meetings held	No. of meetings attended	AGM Held on September 30, 2019	Number of Directorships in other Companies		Number of Committee positions held in Audit/ Stakeholder committee in other Public Companies		Directorship in other listed entity (Category of Directorship)
				Public	Private	Chairman	Member	
Mr. S. B. Mainak	12	11	Yes	5	-	2	5	-
Mr. Adesh Kumar Gupta	13	13	Yes	4	1	1	3	1. Zee Entertainment Enterprises Ltd 2. Vinati Organics Ltd
Ms. Sadhana Dhamane	4	4	Yes	-	-	-	1	-
Mr. V. Chandrasekaran	13	13	Yes	8	1	1	3	1. Tamilnadu Newsprint and Paper Ltd. 2. TATA Investment Corporation Limited
Ms. Sonal Gunvant Desai	13	13	Yes	1	1	-	3	1. Sharda Cropchem Ltd
Mr. Rajesh Mokashi	3	3	No	1	1	-	-	-
Mr. Najib Shah	10	10	Yes	-	2	-	-	-
Dr. M Mathisekaran	8	8	Yes	-	-	-	-	-
Mr. Ananth Narayan Gopalakrishnan	8	8	No	4	-	-	2	1. Yes Bank Limited

None of the Directors of the Company holds Membership in more than ten Committees or act as a Chairperson of more than Five Committees as per Regulation 26 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

As on 31st March, 2020, Board confirm that in the opinion of Board, the Independent Directors fulfill the condition specified by SEBI (LODR) and are independent of management.

a. Information provided to the Board

Apart from the items that are required under the statutes, to be placed before the Board for its approval, the following information is placed before the Board periodically for its review / information in compliance with the SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015

- i. Annual operating plans and budgets
- ii. Capital expenditure budgets and any updates thereon.
- iii. Capital budgets and any updates Quarterly results of the Company & its subsidiaries.
- iv. Minutes of meetings of Audit Committee and other Committees of the Board.
- v. The information on recruitment and remuneration of senior officers just below the board level, including appointment or removal of Chief Financial Officer and the Company Secretary.
- vi. Materially important show cause, demand, prosecution and penalty action.
- vii. Fatal or serious accidents or dangerous occurrences.
- viii. Any unplanned materially relevant default in financial obligations to and by the Company.
- ix. Any issue, which involves possible public or product liability claims of substantial nature, including any judgement or order which, may have passed strictures on the conduct of the company or taken an adverse view regarding another enterprise that can have negative implications on the company. Details of any joint venture or collaboration agreement.
- x. Transaction that involve substantial payment towards goodwill, brand equity or intellectual property.

- xi. Significant employee related problems and their proposed solutions.
- xii. Sale of material nature of investments, subsidiaries, assets, which is not in the normal course of business.
- xiii. Quarterly details of foreign exchange exposure and the steps taken by the management to limit the risk of adverse exchange rate movement.
- xiv. Non-compliance of any regulatory, statutory or listing requirements and shareholders service such as non-payment of dividend and delay in share transfer etc.

b. Post - meeting follow - up systems

The Governance system in the Company includes an effective post - meeting follow-up, review and reporting process for action taken / pending on decisions of the Board and its Committees.

c. Board Support

The Company Secretary of the Company attends all the meetings of the Board and its Committees and advises / assures the Board and Committees on compliance and governance principles.

d. Relationships between directors inter-se

None of the Directors of the Company or their relatives are inter-related with each other.

e. Code of conduct

The Board of Directors had laid down Code of Conduct for all Directors of the Board, Employee and the Senior Management of your Company. The same has been posted on the website of the Company.

All the Directors of the Board, Employees and the Senior Management personnel of your Company have confirmed their compliance with the Code of Conduct for the year ended March 31, 2020. A declaration to this effect, signed by the Managing Director & Chief Executive Officer forms part of the certification.

(A) Board Skills, Capabilities and Experiences

The Company recognizes the importance of having a board comprising directors who have a range of experiences, capabilities and diverse points of view. This helps the Company create an effective and well-rounded board. The capabilities and experiences sought in the directors are outlined here:

- i. Strategy & Business - Is or has been the Chief Executive Officer or held any other leadership position in an organization leading to significant experience in strategy or business management. Brings the ability to identify and assess strategic opportunities and threats in the context of the business.
- ii. Industry Expertise – Has expertise with respect to the sector the organization operates in. Has an understanding of the 'big picture' in the given industry and recognizes the development of industry segments, trends, emerging issues and opportunities.
- iii. Market Expertise – Has expertise with respect to the geography the organization operates in. Understands the macro- economic environment, the nuances of the business, consumers and trade in the geography, and has the knowledge of the regulations & legislations of the market/(s) the business operates in.
- iv. Technology Perspective – Has expertise with respect to business specific technologies such as in the field of R&D, Manufacturing etc. Has experience and adds perspective on the future ready skills required by the organization such as E-Commerce, Digital, and Sustainability etc.
- v. People & Talent Understanding – Has experience in human resource management such that they bring in a considered approach to the effective management of people in an organization.
- vi. Governance, Finance & Risk – Has an understanding of the law and application of corporate governance principles in a commercial enterprise of similar scale. Capability to provide inputs for strategic financial planning, assess financial statements and oversee budgets for the efficient use of resources. Ability to identify key risks for the business in a wide range of areas including legal and regulatory.
- vii. Diversity of Perspective – Provides a diversity of views to the board that is valuable to manage our customer, consumer, employee, key stakeholder or shareholders.

(B) Board Membership Criteria and list of core skills / expertise / competencies identified in the context of the business

The Board of Directors are collectively responsible for selection of a Member on the Board. In terms of requirement of Listing Regulations, the Board has identified the following core skills / expertise /competencies of the Directors in the context of the Company's business for effective functioning as given below:

<i>Name of the Director / Skills</i>	<i>Gender</i>	<i>Strategy & Business</i>	<i>Industry Expertise</i>	<i>Market Expertise</i>	<i>Tech & Future Perspective</i>	<i>Governance, Finance & Risk</i>	<i>People & Talent Understanding</i>	<i>Diversity of Perspective</i>
Mr. V. Chandrasekaran	M	Y	Y	Y	Y	Y	Y	Y
Mr. Adesh Kumar Gupta	M	Y	Y	Y	Y	Y	Y	Y
Ms. Sonal Gunvant Desai	F	Y	Y	Y	Y	Y	Y	Y
Mr. Najib Shah	M	Y	Y	Y	Y	Y	Y	Y
Dr. M. Mathisekaran	M	Y	Y	Y	Y	Y	Y	Y
Mr. Ananth Narayan Gopalakrishnan	M	Y	Y	Y	Y	Y	Y	Y

(C) None of the director of the company resigned from the Board in lieu of prioritizing the Limits prescribed for the directors to hold the No. of directorships in Companies.

2 Committees of the Board of Directors**2.1 Audit committee****(A) Composition of Audit Committee**

The Audit Committee as on March 31, 2020, comprised of Four (4) members i.e. Mr. Adesh Kumar Gupta - Independent Director (Chairman), Mr. V. Chandrasekaran - Non-Executive Director, Ms. Sonal Gunvant Desai - Independent Director and Mr. Ananth Narayan Gopalakrishnan - Independent Director

The Chairperson of the Committee is an Independent Director.

Mr. Adesh Kumar Gupta, Chairman of Audit Committee attended the Annual General Meeting of the Company was held on September 30, 2019

(B) Terms of reference

The terms of reference of the Audit Committee approved by the Board as per the provisions of section 177 of The Companies Act, 2013 and Regulation 18 read with Part C of Schedule II of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 are as follows:

- Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
- Recommendation for appointment, remuneration and terms of appointment of auditors of the company;
- Approval of payment to statutory auditors for any other services rendered by the statutory auditors;
- Reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the board for approval, with particular reference to:
 - Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (c) of sub-section 3 of section 134 of the Companies Act, 2013.
 - Changes, if any, in accounting policies and practices and reasons for the same.
 - Major accounting entries involving estimates based on the exercise of judgment by management.
 - Significant adjustments made in the financial statements arising out of audit findings.
 - Compliance with listing and other legal requirements relating to financial statements.
 - Disclosure of any related party transactions.
 - Qualifications in the draft audit report.
- Reviewing, with the management, the quarterly financial statements before submission to the board for approval;

6. Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter;
7. Review and monitor the auditor's independence and performance, and effectiveness of audit process;
8. Approval or any subsequent modification of transactions of the company with related parties;
9. Scrutiny of inter-corporate loans and investments;
10. Valuation of undertakings or assets of the company, wherever it is necessary;
11. Evaluation of internal financial controls and risk management systems;
12. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;
13. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
14. Discussion with internal auditors of any significant findings and follow up there on;
15. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board;
16. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
17. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;
18. To review the functioning of the Whistle Blower mechanism;
19. Approval of appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc. of the candidate;
20. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.
21. Identification of various risks associated with the operations of the Company such as regulatory risk, business risk, market risk, etc.
22. Monitoring and reviewing of the risk management plan of the Company;
23. Review of Risk Management Policy as approved by the Board from time to time.

(C) Meetings of the Audit Committee

The Audit Committee met 9 times during the financial year 2019-2020 on May 20, 2019, July 16, 2019, July 31, 2019, September 25, 2019, October 15, 2019, November 04, 2019, December 17, 2019, January 07, 2020, and February 07, 2020.

<i>Details of attendance</i>		
<i>Name of Directors</i>	<i>No. of Audit Committee Meetings held</i>	<i>No. of Meetings attended</i>
Mr. Adesh Kumar Gupta	9	9
Mr. S.B. Mainak*	6	5
Mr. V. Chandrasekaran	9	9
Mr. Ananth Narayan Gopalakrishnan**	3	3
Ms. Sonal Gunvant Desai***	6	6

The Company Secretary of your Company is the secretary to the Audit Committee.

* upto November 04, 2019.

** Mr. Ananth Narayan Gopalakrishnan inducted as member of the Committee on November 04, 2019.

*** Ms. Sonal Gunvant Desai inducted as member of the Committee on July 31, 2019.

2.2. Nomination and Remuneration Committee

(A) Composition of Nomination and Remuneration Committee

The Nomination and Remuneration Committee as on March 31, 2020, comprised of Four members i.e. Mr. Najib Shah- Independent Director, Mr. Adesh Kumar Gupta - Independent Director, Mr. Ananth Narayan Gopalakrishnan, Independent Director and Mr. V Chandrasekaran, Non- Executive Director.

The Company Secretary of your Company is the secretary to the Nomination and Remuneration Committee.

(B) Terms of Reference

The terms of reference of the Nomination and Remuneration Committee approved by the Board as per the provisions of section 178 of the Companies Act, 2013 and Regulation 19 read with Part D of Schedule II of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 are as follows:

1. Formulation of the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration of the directors, key managerial personnel and other employees;
2. Formulation of criteria for evaluation of Independent Directors and the Board;
3. Devising a policy on Board diversity;
4. Identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the Board their appointment and removal. The company shall disclose the remuneration policy and the evaluation criteria in its Annual Report.
5. The quantum of option to be granted under an ESOS per employee and in aggregate in each year;
6. The conditions under which option vested in employees may lapse in case of termination of employment for misconduct;
7. The exercise period within which the employee should exercise the option and that option would lapse on failure to exercise the option within the exercise period;
8. The specified time period within which the employee shall exercise the vested options in the event of termination or resignation of an employee and taking a view on exercise period between the end of the financial year and the date of annual general meeting;
9. The right of an employee to exercise all the options vested in him at one time or at various points of time within the exercise period;
10. The procedure for making a fair and reasonable adjustment to the number of options and to the exercise price in case of corporate actions such as rights issues, bonus issues, merger, etc. In this regard following shall be taken into consideration:
 - a. The number and price of ESOS shall be adjusted in a manner such that total value of the ESOS remains the same after the corporate action;
 - b. The vesting period and the life of the options shall be left unaltered as far as possible to protect the rights of the option holders.
11. The grant, vest and exercise of options in case of employees who are on long leave; and
12. The procedure for cashless exercise of option (if any)

(C) Meetings & attendance of the Nomination and Remuneration Committee

The Committee met Seven (7) times during the financial year 2019-2020 on May 20, 2019, June 21, 2019, July 16, 2019, July 31, 2019, August 19, 2019, January 27, 2020 and March 12, 2020.

<i>Details of attendance</i>		
<i>Name of Directors</i>	<i>No. of Remuneration Committee Meetings held</i>	<i>No. of Meetings attended</i>
Mr. Najib Shah*	3	3
Mr. S.B. Mainak**	6	6
Ms. Sadhana Dhamane***	4	4
Mr. Adesh Kumar Gupta	7	7
Mr. V. Chandrasekaran****	2	2
Mr. Ananth Narayan Gopalakrishnan*****	0	0

* Inducted as Member of Committee w.e.f. July 31, 2019

** Ceased to be member of the Committee due to resignation from Board on February 11, 2020

*** Ceased to be member of the Committee due to resignation from Board on August 08, 2019

**** Inducted as Member of Committee w.e.f. November 04, 2019

***** Inducted as Member of Committee w.e.f. March 20, 2020

(D) Remuneration Policy

During the year 2019-20, your Company paid remuneration to its Executive Directors within the limits envisaged under the applicable provisions of the Companies Act, 2013. The remuneration paid to the Executive Directors was approved by the Board and the Nomination and Remuneration Committee within the limits approved by the shareholders.

To compensate the Executive Directors commensurate to the earnings of the Company and the efforts put in by them for achieving the same and also in consonance with the existing industry practice, subject to the limits governed by law.

Remuneration to Directors (Amount in Rupees)

No.	Name	Amount (Rs)
1.	Mr. S. B. Mainak, Chairman & Independent Director	19,50,000
2.	Mr. Adesh Kumar Gupta, Independent Director	22,50,000
3.	Ms. Sonal Guvant Desai, Independent Director	20,00,000
4.	Mr. Najib Shah, Independent Director	12,00,000
5.	Dr. M Mathisekaran, Independent Director	9,00,000
6.	Mr. Ananth Narayan Gopalakrishnan, Independent Director	12,00,000
7.	Mr. Rajesh Mokashi, Managing Director & CEO	1,11,27,817
8.	Ms. Sadhana Dhamane, Non Executive Director	8,00,000
9.	Mr. V. Chandrasekaran, Non Executive Director	20,50,000

Criteria of making payments to Non-Executive directors

Sitting fees: Rs. 1,00,000/- for per Board meeting and Rs. 50,000/-for per committee meeting

The details of the remuneration to the Executive Directors is as follows:**(Amount in Rupees)**

Particulars	Mr. Rajesh Mokashi, Managing Director & CEO
Salary & Allowance	1,01,46,539
Variable Pay (for FY 2017-18)	-
Provident Fund Contribution	5,11,570
Perquisite Value – ESOP *	-
Leave Encashment	-
Leave travel Allowance	-
Super Annuation	4,69,708
Total	1,11,27,817

(E) Directors with materially significant related party transactions, pecuniary or business relationship or transaction with the Company:

Except for drawing remuneration in case of Executive Directors and Sitting Fees in case of Non-Executive Directors, none of the Directors have any other materially significant related party transactions, pecuniary relationship or transaction with the Company.

(F) Details of the shareholding of non-executive directors:

None of the Independent Directors & Non-Executive Directors hold shares in the Company.

(G) Performance Evaluation of Independent Directors:

The Performance Evaluation of Independent Directors was done by the entire Board of Directors excluding the director being evaluated. The evaluation questionnaire form in respect of each independent director was filled up by the directors. The independent directors were evaluated on the basis of criteria such as skills, knowledge, discharge of duties, level of Participation in the meetings etc.

2.3. Stakeholders Relationship Committee

(A) Composition of Stakeholders Relationship Committee

The Stakeholders Relationship Committee as on March 31, 2020 comprised of three members i.e. Mr. V Chandrasekaran, Non-Executive Director, (Chairman) Mr. Ananth Narayan Gopalakrishnan, Independent Director and Dr. M Mathisekaran, Independent Director. The Company Secretary of your Company is the secretary to the Stakeholders Relationship Committee. Mr. Navin Jain, Executive Director & Company Secretary is the Compliance Officer of the Company.

(B) Terms of Reference

1. To review the redressal of Investors' complaints like transfer / transmission of shares, non-receipt of annual report and non-receipt of declared dividend, delays in transfer of shares, dematerialisation / rematerialisation of shares etc.
2. To act on behalf of the Board, in the matters connected with issuance of duplicate share certificates, split and consolidation etc.
3. To oversee performance of the Registrar and Transfer Agents of the Company and their adherence to service standards and recommend measures for overall improvement in the quality of investor services.
4. To review the process of complaint and grievance handling mechanism at periodic intervals.
5. To further delegate all or any of the power to any other employee(s), officer(s), representative(s), consultant(s), professional(s), or agent(s).
6. To review various measures and initiatives taken for reducing the quantum of unclaimed dividends and ensuring timely receipts of dividends warrants, annual reports, statutory notices by the shareholders of the company
7. To undertake such other matters as deemed fit and proper for effective discharge of the above responsibilities.

(C) Meetings & attendance of the Stakeholders Relationship Committee

The Committee met Two (2) times during the financial year 2019-2020 on April 26, 2019 and July 12, 2019.

<i>Details of attendance</i>		
<i>Name of Directors</i>	<i>No. of Stakeholders Committee Meeting held</i>	<i>No. of Meetings attended</i>
Mr. S.B. Mainak#	2	2
Ms. Sadhana Dhamane##	2	2
Mr. Rajesh Mokashi###	2	2

Mr. S B Mainak ceased to be member of the Committee due to resignation from the Board on February 11, 2020

Ms. Sadhana Dhamane ceased to be member of the Committee due to resignation from the Board on August 08, 2019

Mr. Rajesh Mokashi ceased to be member of the Committee w.e.f. July 31, 2019.

(D) Details of shareholders complaints for FY ended 31.03.2020 are as follows:

<i>No</i>	<i>Description</i>	<i>Complaints received</i>	<i>Complaints Attended</i>	<i>Complaints pending</i>
1.	Non-receipt of refund order	NIL	NIL	NIL
2.	Non-receipt of Annual Report	82	82	NIL
3.	Non-receipt of dividend	20	20	NIL
4.	Non-receipt of Securities	NIL	NIL	NIL
5.	Non-receipt of refund order (Compliant received through SEBI SCORES)	NIL	NIL	NIL
6.	Non-receipt of dividend (Compliant received through SEBI SCORES)	NIL	NIL	NIL
7.	Non-receipt of Annual Report (Complaint received through Stock Exchange)	NIL	NIL	NIL
	TOTAL	102	102	NIL

2.4. Corporate Social Responsibility Committee

(A) Composition of Corporate Social Responsibility Committee

The Committee as on March 31, 2020, comprised three members i.e., Dr. M Mathisekaran, Independent Director, Ms. Sonal Gunvant Desai - Independent Director, and Mr. V. Chandrasekaran - Non Executive Director.

(B) Terms of Reference

The term of reference of the Corporate Social Responsibility Committee approved by the Board as per the provisions of Section 135 of the Companies Act, 2013 are as follows:

1. Formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company as specified in schedule VII of the Companies Act, 2013.
2. Recommend the amount of expenditure to be incurred on these activities.
3. Monitor the Corporate Social Responsibility Policy of the Company from time to time.

(C) Meetings & attendance of the Corporate Social Responsibility Committee

The Committee met One (1) time during the financial year 2019-20 on February 08, 2020.

<i>Details of attendance</i>		
<i>Name of Directors</i>	<i>No. of CSR Meetings held</i>	<i>No. of Meetings attended</i>
Dr. M. Mathisekaran	1	1
Ms. Sonal Gunvant Desai	1	1
Mr. S B Mainak#	1	1
Mr. V Chandrasekaran	-	-

Mr. S B Mainak ceased to be member of the Committee due to resignation from the Board on February 11, 2020.

2.5. Risk Management Committee

(A) Composition of Risk Management Committee

The Committee as on March 31, 2020, comprised Four members i.e., Dr. M Mathisekaran, Independent Director, Ms. Sonal Gunvant Desai - Independent Director, Mr. Adesh Kumar Gupta, Independent Director and Mr. Najib Shah, Independent Director.

(B) Terms of Reference

The terms of reference of the Committee prescribed by the regulation is as follows:

- All the of members of Risk Management Committee shall consist of members of the Board of Directors
- The Chairperson of the Risk management committee shall be a member of the Board of Directors and Senior Executives of the listed entity may be members of the committee
- To meet at least once in a year
- To also include the risks associated with cyber security in the IT risk

(C) Meetings & attendance of the Risk Management Committee

The Committee met Two (2) times during the financial year 2019-2020 on September 25, 2019 and December 17, 2019

<i>Details of attendance</i>		
<i>Name of Directors</i>	<i>No. of Meetings held</i>	<i>No. of Meetings attended</i>
Ms. Sonal Gunvant Desai	2	2
Mr. Adesh Kumar Gupta	2	2
Dr. M. Mathisekaran*	1	1
Mr. Najib Shah**	1	1
Mr. V. Chandrasekatan***	1	1

* Dr. M. Mathisekaran inducted as member of the Committee w.e.f. November 04, 2019

** Mr. Najib Shah inducted as member of the Committee w.e.f. November 04, 2019

*** Mr. V. Chandrasekaran ceased to be member of the Committee w.e.f. November 04, 2019

2.6. Independent Directors Meeting

At present the company has Five independent directors – Mr. Adesh Kumar Gupta, Ms. Sonal Gunvant Desai, Mr. Najib Shah, Dr. M Mathisekaran and Mr. Ananth Narayan Gopalakrishnan on its Board. During the financial year 2019-2020, one meeting of the Independent directors was held on May 20, 2019. The meeting was attended by Mr. S.B. Mainak , Ms Sonal Gunvant Desai and Mr. Adesh Kumar Gupta without the attendance of non-independent directors and members of the management. The meeting was conducted to enable the Independent directors to discuss matters pertaining to the Company's affairs and determine their combined views to be put forth to the Board of Directors of the Company.

Mr. Najib Shah was appointed as Additional Director – Independent on July 17, 2019.

Mr. Ananth Narayan Gopalakrishnan was appointed as Additional Director – Independent on August 19, 2019.

Dr. M Mathisekaran was appointed as Additional Director – Independent on August 19, 2019.

Mr. S B Mainak resigned from the Board on February 11, 2020

3. General Meetings

Details of last three Annual General Meetings (AGM) and Extra Ordinary General meetings.

	<i>Venue</i>	<i>Date</i>	<i>Time</i>	<i>No of special resolutions passed</i>
a)	Jasubhai Conventional Hall, Sri Shanmukhananda Fine Arts & Sangeetha Sabha, 6th Floor, 292 Harbanslal Marg, Sion (East), Mumbai – 400 022	September 30, 2019 (Annual General Meeting)	2.00 p.m.	-
b)	Jasubhai Conventional Hall, Sri Shanmukhananda Fine Arts & Sangeetha Sabha, 6th Floor, 292 Harbanslal Marg, Sion (East), Mumbai – 400 022	September 24, 2018 (Annual General Meeting)	3.30 p.m.	-
c)	Jasubhai Conventional Hall, Sri Shanmukhananda Fine Arts & Sangeetha Sabha, 6th Floor, 292 Harbanslal Marg, Sion (East), Mumbai – 400 022	August 1, 2017 (Annual General Meeting)	03.30 p.m.	-

4. Postal Ballot

During FY 2019-2020, no resolution was passed through Postal Ballot as required under Section 110 of the Companies Act, 2013, read with Rule 22 of the Companies (Management and Administration) Rules, 2014. No Special resolution is proposed to be conducted through the Postal Ballot.

5. Related party disclosures

All transactions entered into during the financial year 2019-20 with Related Parties as defined under the Companies Act and Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 were in the ordinary course of business and on an arm's length basis. During the year, the Company had not entered into any transaction referred to in Section 188 of the Companies Act, 2013 with related parties which could be considered material under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. Accordingly, the disclosure of Related Party Transactions as required under Section 134(3) of the Companies Act in Form AOC-2 is not applicable. As required under Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company has formulated a Policy on Materiality of and dealing with Related Party Transactions which is available on the website of the Company at [www. careratings.com](http://www.careratings.com).

6. Details of Non-Compliance

There has been no incidence of non-compliance with any of the legal provisions of law nor has any penalty or stricture been imposed by SEBI or any statutory authority on any matter related to the capital markets during the last three years.

7. Whistle Blower Policy / Vigil Mechanism

Your Company's Whistle Blower Policy is in line with the provisions of the sub-section 9 and 10 of Section 177 of the Companies Act and Regulation 22 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. This Policy establishes the necessary mechanism for employees to report to the management concerns about unethical behaviour or actual or suspected fraud or violation of the Company's Code of Conduct or ethics policy. Further, no member of staff has been denied access to the Audit Committee. The policy has been uploaded on the website of the Company www.careratings.com

8. Other policies

Your Company had adopted the policy for determining material subsidiaries and a policy on materiality of and dealing with Related Party Transactions. These policies have been uploaded on the website of the Company www.careratings.com

9. Adoption of mandatory and non-mandatory requirements

- i. Your Company has complied with all the mandatory requirements of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- ii. As the quarterly and half yearly financial results are published in the newspapers and are also posted on the Company's website, the same are not being sent separately to the shareholders.
- iii. The Company's financial statements for the year 2019-20 do not contain any Audit Qualification.
- iv. The internal auditors of the Company directly report to audit Committee.

10. Means of communication

Your Company's corporate website www.careratings.com provides comprehensive information to the shareholders. The quarterly and annual financial results are published in English i.e Business Standard and Marathi daily newspaper i.e Mumbai Lakshadweep. The quarterly and annual financial results and the press releases issued are also available on your Company's website www.careratings.com. Detailed presentations are made to analyst on the Company's unaudited quarterly as well as audited annual financial results. These presentations are also uploaded on the Company's website. The disclosures as required under SEBI CRA Regulations are uploaded on the Company's website. The shareholding pattern, updated every quarter is displayed on the Company's website.

11. Dividend

In the financial year 2019-2020, the Company had declared three Interim Dividends of Rs. 3/-per share Rs. 8/-per equity share, and Rs. 6/-per equity share, respectively aggregating to Rs. 17/- per equity share. Further, the Board of Directors recommended a Final Dividend of Rs. 2.5 /- per equity share subject to the approval of the shareholders at the ensuing Annual General Meeting.

Section 124 of the Companies Act, 2013 mandates that companies shall transfer dividend that has been unclaimed for a period of seven years from the unpaid dividend account to the Investor Education and Protection Fund (IEPF). During 2019-2020, the amount of 12,75,000/- lying in the Initial Public offer (IPO) account pertaining to the financial year 2011-12 was transferred to the Investor Education and Protection Fund (IEPF). The said amount had remained unclaimed for seven years

12. Subsidiary companies

The financial statements of the subsidiaries are reviewed by the Audit Committee of the Company. Further, the minutes of the meetings of board of directors of the subsidiary companies are also placed before the Board of Directors of the Company.

13. Management discussion and analysis report

The Management Discussion and Analysis Report have been annexed to the Directors' Report.

14. Auditor's Certificate on Corporate Governance

As required by Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Auditors' certificate with respect to compliance of Corporate Governance have been annexed to the Directors' Report and will be sent to the Stock Exchanges at the time of filing of the Annual Report.

15. CEO & CFO certification

As required under Regulation 17(8) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the CEO and

CFO certification on the financial statement and the internal control system for financial reporting has been obtained and the same was reviewed by the Board of Directors.

16. Reconciliation of share capital audit

As stipulated by SEBI, a Reconciliation of Share Capital Audit is carried out by an independent Practicing Company Secretary on a quarterly basis to confirm reconciliation of the issued and listed capital, of shares held in dematerialized and physical mode, and the status of the Register of Members.

17. (A) Disclosures with respect to Demat suspense account / Unclaimed suspense account

The Company does not have any shares lying in its Demat Suspense Account / Unclaimed Suspense Account.

17. (B) Certificate from Company Secretary in practice

As required under Schedule V of the Listing Regulations, your Company has obtained a certificate from a company secretary in practice, that none of the Directors on the Board of your Company as on March 31, 2020 is debarred or disqualified from being appointed or continuing as Directors of your Company by the Securities and Exchange Board of India or the Ministry of Corporate Affairs, or any such authority. A certificate from a company secretary in practice for the financial year 2019-20 is annexed to this report as Annexure VI

17. (C) Auditor Fee table

The fees paid by the Company and its subsidiaries (on a consolidated basis) to the statutory auditors and its network firm during the financial year 2019-20 are as under:

<i>Sr. No</i>	<i>Services provided</i>	<i>Amount Rs</i>
1	Audit Fees	24.30
2	Audit Under Other Statutes	1.20
3	Certifications	0.95
4	Reimbursement of Expenses	0.65
	Total	27.10

18. All mandatory requirements as per the Chapter IV of the listing Regulations have been Complied with the company. Details of compliance with mandatory requirements of SEBI LODR Regulations:

<i>I. Disclosure on website in terms of listing regulations</i>	
<i>Item</i>	<i>Compliance Status (Yes/No/NA) refer note below</i>
Details of business	Yes
Terms and conditions of appointment of independent directors	Yes
Compositions of various committees of board of directors	Yes
Code of conduct of board of directors and senior management personnel	Yes
Details of establishment of vigil mechanism/ Whistle Blower policy	Yes
Criteria of making payments to non-executive directors	Disclosed in Annual Report
Policy for dealing with related party transactions	Yes
Policy for determining 'material' subsidiaries	Yes
Details of familiarization programmes imparted to independent directors	Yes
Contact information of the designated officials of the listed entity who are responsible for assisting and handling investor grievances	Yes
Email address for grievance redressal and other relevant details	Yes

Financial results		Yes
Shareholding pattern		Yes
Details of agreements entered into with the media companies and/or their associates		Not Applicable
New name and the old name of the listed entity		Not Applicable
II. Annual Affirmations		
Particulars	Regulation Number	Compliance status (Yes/No/NA) refer note below
Independent director(s) have been appointed in terms of specified criteria of 'independence' and/or 'eligibility'	16(1)(b) & 25(6)	Yes
Board composition	17(1)	Yes
Meeting of Board of directors	17(2)	Yes
Review of Compliance Reports	17(3)	Yes
Plans for orderly succession for appointments	17(4)	Yes
Code of Conduct	17(5)	Yes
Fees/compensation	17(6)	Yes
Minimum Information	17(7)	Yes
Compliance Certificate	17(8)	Yes
Risk Assessment & Management	17(9)	Yes
Performance Evaluation of Independent Directors	17(10)	Yes
Composition of Audit Committee	18(1)	Yes
Meeting of Audit Committee	18(2)	Yes
Composition of nomination & remuneration committee	19(1) & (2)	Yes
Composition of Stakeholder Relationship Committee	20(1) & (2)	Yes
Composition and role of risk management committee	21(1),(2),(3),(4)	Yes
Vigil Mechanism	22	Yes
Policy for related party Transaction	23(1),(5),(6),(7) & (8)	Yes
Prior or Omnibus approval of Audit Committee for all related party transactions	23(2), (3)	Yes
Approval for material related party Transactions	23(4)	Not Applicable
Composition of Board of Directors of unlisted material Subsidiary	24(1)	Yes
Other Corporate Governance requirements with respect to subsidiary of listed entity	24(2),(3),(4),(5) & (6)	Yes
Maximum Directorship & Tenure	25(1) & (2)	Yes
Meeting of independent directors	25(3) & (4)	Yes
Familiarization of independent Directors	25(7)	Yes
Memberships in Committees	26(1)	Yes

Affirmation with compliance to code of conduct from members of Board of Directors and Senior management personnel	26(3)	Yes
Disclosure of Shareholding by Non-Executive Directors	26(4)	Yes
Policy with respect to Obligations of directors and senior management	26(2)	Yes
Policy with respect to Obligation of Directors and senior management	26(5)	Not Applicable
Obligation with respect to KMPs, Directors and Promoters	26(6)	Not Applicable

Pursuant to Regulation 7(2) of the SEBI LODR Regulations, certificates on half yearly basis have been issued by a qualified practicing Company Secretary confirming the compliance of share transfer formalities by the Company.

19. Details of Non-compliance of any requirement of Corporate Governance

The Company has complied with all the requirement of Corporate Governance specified under Securities Exchange Board of India (Listing Obligation & Disclosure Requirement) Regulation 2015.

20. General Shareholders Information

a)	Annual General Meeting	September 08, 2020
	Time	03:30 p.m.
	Venue	The Company is conducting meeting through VC / OAVM pursuant to the MCA Circular dated May 5, 2020 and as such there is no requirement to have a venue for the AGM. For details please refer to the Notice of this AGM.
b)	Financial Year	April 1 , 2019 to March 31, 2020
	Quarterly results will be declared as per the following tentative schedule:	
	Financial reporting for the quarter ending June 30, 2020	On or before August 14, 2020
	Financial reporting for the quarter ending September 30, 2020	On or before November 14, 2020
	Financial reporting for the quarter ending December 31, 2010	On or before February 14, 2021
	Financial reporting for the quarter and year ending March 31, 2021	On or before May 30, 2021
c)	Dates of Book Closure	Wednesday, September 02, 2020 to Tuesday, September 08, 2020 (both days inclusive)
d)	Dividend Payment Date	Final dividend on equity shares for the year ended March 31, 2020 as recommended by the Directors, if declared in the Annual General Meeting will be paid on or before October 07, 2020.

e)	Listing on Stock Exchange	<p>The Company got listed on December 26, 2012. The shares of your Company are listed on: The BSE Limited P.J. Towers, Dalal Street, Mumbai 400 001</p> <p>The National Stock Exchange of India Limited Exchange Plaza, Bandra Kurla Complex, Bandra (E), Mumbai 400 051</p> <p>The Annual Listing fees for the financial year 2019-20 have been paid to BSE Limited and The National Stock Exchange of India Limited.</p>
f)	Stock Code	<p>Bombay Stock Exchange Limited: 534804 National Stock Exchange of India Limited: CARERATING ISIN: INE752H01013</p>
g)	Registrar and Share Transfer Agent	<p>KFin Technologies Private Limited</p> <p>Unit: CARE Ratings Limited</p> <p>Karvy Selenium Tower - B, Plot No. 31 & 32, Financial District, Gachibowli, Nanakramguda, Serilingampally, Hyderabad – 500 032. Tel. No. 040 – 67162222, Fax No. 040 – 23001153 Email: einward.ris@karvy.com, Website: www.karvy.com Contact Person : Mr. K. S. Reddy & Mr. B. V. Kishore</p>
h)	Share Transfer System	<p>99.99% of the equity shares of the Company are in electronic form. Transfer of shares is done through the depositories with no involvement of the company. As regards transfer of shares held in physical form the transfer documents can be lodged with Kfin Technologies Private Limited (RTA) at the above mentioned addresses.</p> <p>Share transfer is normally affected within a period of 15 days from the date of the receipt of request if all the required documentation is submitted.</p>

i)Market Price Data HIGH/LOW during each month from April 2019 to March 2020.

PERIOD – 2019-2020	BSE		NSE	
	HIGH	LOW	HIGH	LOW
April 2019	1,007.00	975.40	1007.00	975.00
May 2019	989.90	925.00	991.00	921.10
June 2019	1,019.00	905.00	1010.10	900.00
July 2019	950.50	717.05	954.85	717.00
August 2019	718.60	453.00	738.90	451.00
September 2019	563.05	516.55	565.00	515.10
October 2019	560.00	500.10	560.00	500.55
November 2019	551.00	444.50	554.95	443.70
December 2019	651.20	469.75	649.95	470.00
January 2020	726.60	585.50	727.00	585.25
February 2020	719.80	474.00	720.00	474.05
March 2020	496.40	236.45	496.15	235.00

J) Distribution Schedule and Shareholding Pattern as on March 31, 2020

Sr. No	Category	Cases	% of Cases	Amount	% Amount
1	upto 1 – 5000	54146	95.80	29100680.00	9.88
2	5001 - 10000	1237	2.19	9178170.00	3.12
3	10001 - 20000	564	1.00	8098100.00	2.75
4	20001 - 30000	198	0.35	4917710.00	1.67
5	30001 - 40000	109	0.19	3814520.00	1.29
6	40001 - 50000	50	0.09	2333650.00	0.79
7	50001 - 100000	87	0.15	6100780.00	2.07
8	100001 & ABOVE	127	0.22	231068530.00	78.43
	Total:	56518	100.00	294612140.00	100.00

k) Shareholding Pattern

Sr. No	Category	No. of Shares Held	Percentage (%)
I	PROMOTERS	-----	-----
II	NON-PROMOTERS		
a)	ALTERNATIVE INVESTMENT FUND	118144	0.40
b)	BANKS	60459	0.21
c)	CLEARING MEMBERS	141106	0.48
d)	DIRECTORS	76721	0.26
e)	EMPLOYEES	35952	0.12
f)	FOREIGN PORTFOLIO - CORP	8660343	29.40
g)	FOREIGN PORTFOLIO INVESTORS	9699	0.03
h)	H U F	245740	0.83
i)	INDIAN FINANCIAL INSTITUTIONS	2931810	9.95
j)	BODIES CORPORATES	5345038	18.14
k)	MUTUAL FUNDS	4152428	14.09
l)	NBFC	4150	0.01
m)	NATIONALISED BANK	537	0.00
n)	NON RESIDENT INDIANS	407192	1.38
o)	NRI NON-REPATRIATION	123673	0.42
p)	RESIDENT INDIVIDUALS	6067378	20.59
q)	QIB	1078512	3.66
r)	Trusts	2332	0.01
	TOTAL	2,94,61,214	100.00

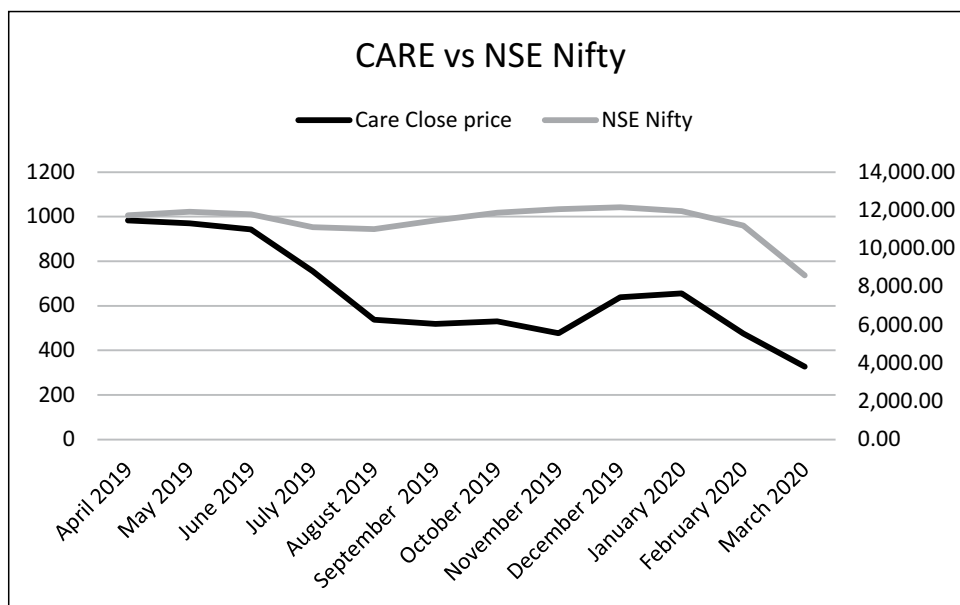
I)	Dematerialisation of Shares and Liquidity	2,94,60,913 equity shares which constitutes 99.99% of the paid up capital as on March 31, 2020 of your Company are held in electronic mode.
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m)	Registered Office & Address for Correspondence	CARE Ratings Limited 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off. Eastern Express Highway, Sion (East), Mumbai – 400 022 Tel No: 022 - 67543456 Fax No: 022 – 67543457
n)	Plant location	In view of the nature of the Company's business viz. providing rating services, the company operates from the following mentioned offices in India.
	Ahmedabad 32, Titanium, Prahaladnagar Corporate Road, Satellite, Ahmedabad - 380 015 Tel: +91-79-4026 5656	Andheri A Wing - 1102 / 1103, Kanakia Wall Street, Andheri Kurla Road, Chakala, Andheri (E), Mumbai - 400 093. Tel No.: +91-22-6837 4400
	Bengaluru Unit No. 205 -208, 2nd Floor, Prestige Meridian 1, No. 30, M. G. Road, Bengaluru, Karnataka 560001. Tel: +91-80-46625555	Chandigarh SCF No. 54-55, First Floor, Phase 11, Sector 65, Chandigarh, Mohali - 160062 Tel: +91-172-490-4000/01
	Chennai Unit No. O-509/C, Spencer Plaza, 5th Floor, No. 769, Anna Salai, Chennai - 600 002. Tel: +91-44-2849 7812 / 0811	Coimbatore T-3, 3rd Floor, Manchester Square Puliakulam Road, Coimbatore - 641 037. Tel: +91-422-4332399 / 4502399
	Hyderabad 401, Ashoka Scintilla, 3-6-520, Himayat Nagar, Hyderabad - 500 029. Tel: +91-40-4010 2030	Jaipur 304, Pashupati Akshat Heights, Plot No. D-91, Madho Singh Road, Near Collectorate Circle, Bani Park, Jaipur - 302 016. Tel: +91-141-402 0213 / 14
	Kolkata 3rd Floor, Prasad Chambers, (Shagun Mall Bldg.) 10A, Shakespeare Sarani, Kolkata - 700 071. Tel: +91-33-4018 1600	New Delhi 13th Floor, E-1 Block, Videocon Tower, Jhandewalan Extension, New Delhi - 110 055. Tel: +91-11-4533 3200
	Pune 9th Floor, Pride Kumar Senate, Plot No. 970, Bhamburda, Senapati Bapat Road, Shivaji Nagar, Pune - 411 015. Tel: +91-20- 4000 9000	
o)	Email	care@careratings.com
p)	Investor Complaints ID	investor.relations@careratings.com
q)	Website	www.careratings.com
r)	Compliance Officer	Navin Kumar Jain Company Secretary CARE Ratings Limited 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off. Eastern Express Highway, Sion (East), Mumbai – 400 022 Tel No: 022 - 67543456, Fax No: 022 - 67543457

s)	Green Initiative	<p>Pursuant to Section 20 of the Companies Act, 2013, read with Rule 35 of the Companies (Incorporation) Rules, 2014, companies are allowed to send to their Members notices/ documents in the electronic form.</p> <p>To enable the Company send its Annual Report, Notice of AGM, and other documents for the financial year ended March 31, 2020 electronically, Members are requested to update (in case of change) / register their email IDs with their Depository Participants/the Registrar and Share Transfer Agent at the earliest.</p>
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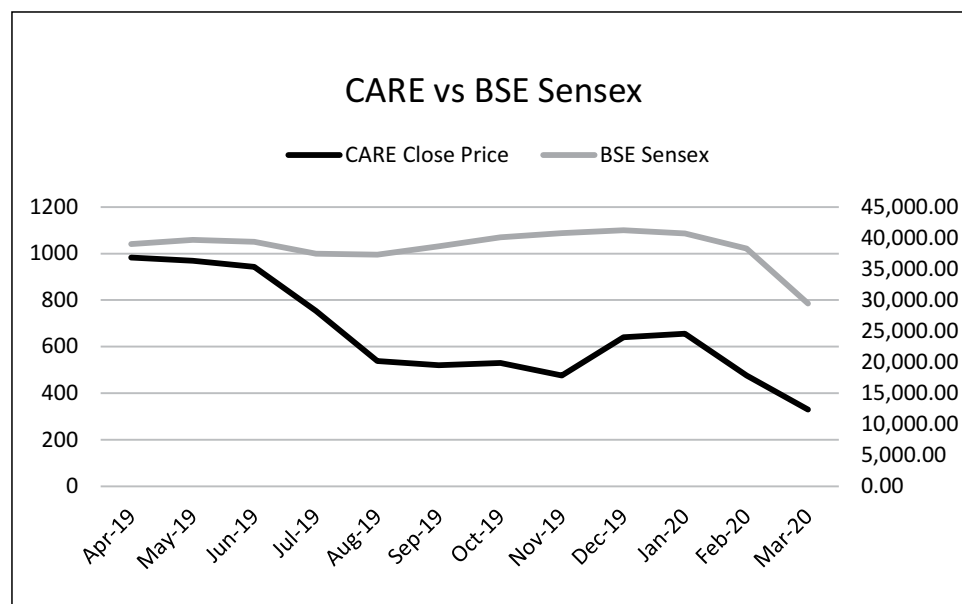
t) CARE share price vs. NSE NIFTY

Month	CARE Close Price (Rs.) (NSE)	NSE NIFTY
April 2019	983.35	11,748.15
May 2019	970.40	11,922.80
June 2019	942.70	11,788.85
July 2019	754.95	11,118.00
August 2019	538.00	11,023.25
September 2019	518.50	11,474.45
October 2019	530.70	11,877.45
November 2019	477.45	12,056.05
December 2019	638.95	12,168.45
January 2020	655.20	11,962.10
February 2020	476.15	11,201.75
March 2020	327.35	8597.75



u) CARE share price vs. BSE SENSEX

Month	CARE Close Price (Rs.) BSE)	BSE SENSEX
April 2019	983.45	39,031.55
May 2019	968.35	39,714.20
June 2019	942.45	39,394.64
July 2019	753.65	37,481.12
August 2019	538.75	37,332.79
September 2019	520.50	38,667.33
October 2019	530.45	40,129.05
November 2019	476.10	40,793.81
December 2019	640.25	41,253.74
January 2020	655.45	40,723.49
February 2020	476.25	38,297.29
March 2020	329.55	29,468.49



v) The Company has not received any compliant during the financial year ended 31st March, 2020 relating to Sexual harassment at Workplace. Further following is a summary of sexual harassment complaints received and disposed of during the year:

No. of Complaints filed during the year	Nil
No. of Complaints disposed off during the year	Nil
No. of Complaints pending as on the end of the financial year	Nil

w) Outstanding GDRs/ ADRs / Warrants or any convertible instruments

Company does not having any outstanding Global Depository receipt, American Depository receipt or Warrant or any Convertible instrument during the financial year ended 31st March, 2020.

x) Commodity Price risk or foreign exchange risk and hedging activities

Commodity Price Risk / Foreign Exchange Risk and Hedging is not applicable to the Company.

CERTIFICATE OF NON-DISQUALIFICATION OF DIRECTORS

(Pursuant to Regulation 34(3) and Schedule V Para C clause (10)(i) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015)

To,
The Members of
Care Ratings Limited,
Godrej Coliseum, 4th Floor,
Somaiya Hospital Road,
Off Eastern Express Highway,
Sion East, Mumbai 400022.

We have examined the relevant registers, records, forms, returns and disclosures received from the Directors of CARE RATINGS LIMITED (CIN:L67190MH1993PLC071691) and having registered office at Godrej Coliseum, 4th Floor, Somaiya Hospital Road, Off Eastern Express Highway, Sion (E), Mumbai-400022 (hereinafter referred to as 'the Company'), produced before us by the Company for the purpose of issuing this certificate, in accordance with the Regulation 34(3) read with Schedule V Para-C Sub clause 10(i) of The Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

In our opinion and to the best of our information and according to the verifications (including Directors Identification Number (DIN) status at the portal www.mca.gov.in) as considered necessary and explanations furnished to us by the Company and its officers, we hereby certify that none of the Directors on the Board of the Company as stated below for the Financial Year ending on 31st March, 2020 have been debarred or disqualified from being appointed or continuing as Directors of companies by the Securities and Exchange Board of India, Ministry of Corporate Affairs, or any such other Statutory Authority.

Sr. No.	Name of the Director	DIN	Date of appointment
1	Mr. Adesh Kumar Gupta	00020403	22/05/2018
2	Mr. Najib Shah	08120210	17/07/2019
3	Dr. Mathisekaran Madasamy	03584338	19/08/2019
4	Ms. Sonal Gunvant Desai	08095343	30/03/2019
5	Mr. Ananth Narayan Gopalakrishnan	05250681	19/08/2019
6	Mr. Venkatadri Chandrasekaran	03126243	15/11/2017

Ensuring the eligibility of for the appointment / continuity of every Director on the Board is the responsibility of the management of the Company. Our responsibility is to express an opinion on these based on our verification. This certificate is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Place: Mumbai
Date: July 10, 2020

For A. K. Jain & Co.
Company Secretaries

Ashish Kumar Jain
Proprietor

FCS: 6058, CP: 6124

UDIN: F006058B000438424

CEO AND CFO CERTIFICATION

To
The Board of Directors
CARE Ratings Limited

We, Mr. Ajay Mahajan, Managing Director & Chief Executive Officer and Mr. Bharat Adnani, Chief Financial Officer of Care Ratings Limited (Formerly known as Credit Analysis and Research Limited), to the best of our knowledge and belief, certify that:

- A. We have reviewed financial statements, the cash flow statement for the year ended March 31, 2020 and that to the best of our knowledge and belief:
- These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- B. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the listed entity's code of conduct.
- C. We accept the responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the audit committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- D. We have indicated to the auditors and the Audit Committee
- Significant changes in the internal control over financial reporting during the year;
 - Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the listed entity's internal control system over financial reporting.

For CARE RATINGS LIMITED

Ajay Mahajan
Managing Director & CEO

Bharat Adnani
Chief Financial Officer

Place: Mumbai
Date: July 10, 2020

**DECLARATION BY THE CHIEF EXECUTIVE OFFICER OF
THE COMPANY UNDER REGULATION 17(5)(A) OF SEBI
(LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS)
REGULATIONS, 2015.**

To,

The Members of CARE Ratings Limited

I, Ajay Mahajan, Managing Director & Chief Executive Officer of CARE Ratings Limited, hereby confirm pursuant to Regulation 26(3) read with Para D of Schedule V of SEBI (Listing Obligations And Disclosure Requirements) Regulations, 2015 that:

The Board of CARE Ratings Limited had laid down a Code of Conduct (Code of Ethics) for all Board members and Senior Management of the Company. The said code of conduct has also been posted on the Company's website viz. www.careratings.com.

As provided under Regulation 26(3) read with Para D of Schedule V of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, I hereby declare that all the Board of Directors and Senior Management Personnel of the Company have affirmed the Compliance with the Code of Conduct (Code of Ethics) for the year ended March 31, 2020.

For CARE RATINGS LIMITED

Ajay Mahajan

Managing Director & CEO

Place: Mumbai

Date: July 17, 2020

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

Certificate No.: 0718/2020/ViAg

To the Members of
CARE Ratings Limited

We have examined the compliance of conditions of Corporate Governance by CARE Ratings Limited (the 'Company'), for the year ended March 31, 2020, as per the relevant provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended ('Listing Regulations').

The compliance of conditions of Corporate Governance is the responsibility of the management. This responsibility includes the design, implementation and maintenance of internal control and procedures to ensure the compliance with the conditions of the Corporate Governance stipulated in Listing Regulations.

Our responsibility is limited to examining the procedures and implementation thereof, adopted by the Company for ensuring compliance with the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

We have examined the books of account and other relevant records and documents maintained by the Company for the purposes of providing reasonable assurance on the compliance with Corporate Governance requirements by the Company.

We have carried out an examination of the relevant records of the Company in accordance with the Guidance Note on Certification of Corporate Governance issued by the Institute of the Chartered Accountants of India (the ICAI), the Standards on Auditing specified under Section 143(10) of the Companies Act 2013, in so far as applicable for the purpose of this certificate and as per the Guidance Note on Reports or Certificates for Special Purposes issued by the ICAI which requires that we comply with the ethical requirements of the Code of Ethics issued by the ICAI.

We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.

Based on our examination of the relevant records and according to the information and explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Regulations.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For Khimji Kunverji & Co LLP
Chartered Accountants
FRN: 105146W/W100621

Hasmukh Dedhia
Partner (F-033494)
UDIN: 20033494AAAAGF9484

Place: Mumbai
Date: July 10, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Members of
CARE Ratings Limited

Report on the Audit of the Standalone Ind AS Financial Statements

Opinion

1. We have audited the Standalone Ind AS Financial Statements of CARE Ratings Limited ('the Company'), which comprise the standalone Balance Sheet as at March 31, 2020, the standalone Statement of Profit and Loss (including Other Comprehensive Income), the standalone Statement of Changes in Equity and the standalone Statement of Cash Flows for the year then ended, and notes to the Standalone Ind AS Financial Statements, including a summary of significant accounting policies and other explanatory information. (hereinafter referred to as "the Standalone Ind AS Financial Statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Standalone Ind AS Financial Statements give the information required by the Companies Act, 2013 ('the Act') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2020, and its profit (including other comprehensive income), changes in equity and its cash flows for the year ended on that date.

Basis for Opinion

2. We conducted our audit in accordance with the Standards on Auditing ('SAs') specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Standalone Ind AS Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India ('ICAI') together with the ethical requirements that are relevant to our audit of the Standalone Ind AS Financial Statements under the provisions of the Act and the Rules thereunder; and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the Standalone Ind AS Financial Statements.

Emphasis of Matter

3. Attention is drawn to Note 48 of the Standalone Ind AS Financial Statements which describes the impacts of COVID-19 Pandemic on the financial statements as also on business operations of the Company, assessment thereof by the management of the Company based on its internal, external and macro factors, involving certain estimation uncertainties. Our opinion is not modified in respect of this matter.

Key Audit Matters

4. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Standalone Ind AS Financial Statements of the year under report. These matters were addressed in the context of our audit of the Standalone Ind AS Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	Our audit approach
<i>Recognition, measurement, presentation and disclosures of revenues and other related balances in accordance with Ind AS 115 "Revenue from contracts with customers" and other regulatory requirements</i>	<p>We assessed the entity's process to comply with the applicable Ind AS and other regulatory requirements</p> <p>Our audit approach consisted testing of the design and operating effectiveness of the internal controls and substantive testing as follows:</p> <ul style="list-style-type: none"> • Evaluated the design of internal controls relating to implementation of the revenue accounting standard.

INDEPENDENT AUDITOR'S REPORT

<p>The recognition, measurement, presentation and disclosures of revenues and other related balances in accordance with Ind AS 115 and other regulatory requirements involve significant judgements and estimation as also timing of recognition by the management of the Company. Further, the recognition of revenue involves various complexities with respect to nature and category of clients of the Company.</p> <p>We determined this matter to be a key audit matter due to the complexity associated to comply with the applicable Ind AS and other regulatory requirements. [Note 1(j) to the Standalone Ind AS Financial Statements]</p>	<ul style="list-style-type: none"> • Evaluated the report of expert on the application of the standard on the entity as per its accounting policies. • Evaluated the reasonableness of the significant judgements and estimation involved in the process. • Selected a sample of continuing and new contracts, and tested the operating effectiveness of the internal control, relating to timing and extent of recognition of revenue therefrom based on the policy adopted by the Company. • Selected a sample of continuing and new contracts and performed the following procedures: <ul style="list-style-type: none"> • Read, analysed and identified the distinct performance obligations in these contracts. • Compared these performance obligations with that identified and recorded by the entity. • Sample of revenue disaggregated by type and service offerings was tested with the performance obligations specified in the underlying contracts.
<p>Regulations – Litigations and claims</p> <p>The Company is exposed to various laws and regulations. In this regulatory environment, there is an inherent risk of litigations and claims. Consequently, provisions and contingent liabilities disclosures may arise from direct and indirect tax proceedings, legal proceedings, including regulatory and other government / department proceedings, as well as out of investigations by the authorities.</p> <p>As at March 31, 2020, the Company's has ascertained contingent liabilities of Rs. 72.51 Lakhs and also has unascertained liabilities (refer note 31 to the Standalone Ind AS Financial Statements)</p> <p>Management applies significant judgement in estimating the likelihood of the future outcome in each case when considering whether, and how much, to provide or in determining the required disclosure for the potential exposure of each matter.</p> <p>This is due to the highly complex nature and magnitude of the legal matters involved along with the fact that resolution of tax and legal proceedings may span over multiple years, and may involve protracted negotiation or litigation. These estimates could change substantially over time as new facts emerge and each legal case progresses.</p> <p>We determined this matter to be a key audit matter due to the inherent complexity and magnitude of potential exposures across the Company and the judgment necessary to estimate the amount of provisions required or determine the required disclosures.</p>	<p>Our Audit approach in relation to the matter involved the following:</p> <ul style="list-style-type: none"> • Review the outstanding litigations against the Company for comparing consistency with the previous years. Enquire and obtain explanations for movements during the year. • Reading the latest correspondences between the Company and the various tax/legal authorities for significant matters. • Examined selectively the Company's legal expenses and read fully the minutes of the board meetings, in order to ascertain all cases have been identified. • With respect to tax matters, involving our tax specialists, and discussing with the Company's personnel dealing with tax matters, their views and strategies on significant cases, as well as the related technical grounds relating to their conclusions based on applicable tax laws and precedence. • Assessing the decisions and rationale for provisions held or for decisions not to record provisions or make disclosures. • For those matters where management concluded that no provisions should be recognised, considering the adequacy and completeness of the Company's disclosures. • For complex regulatory litigations, reviewing the relevant correspondence by the Company, studying the matters in the light of past precedence and views of Company's legal advisor as made available by the Company. • For claims made against the Company but neither acknowledged nor disclosed, assessed the tenability of such claims based on reading the basis of such claims with relevant provisions of the law or regulations and considering the legal advice obtained by the Company.

INDEPENDENT AUDITOR'S REPORT

Information other than the Standalone Ind AS Financial Statements and Auditors' Report Thereon

5. The Company's Management and Board of Directors are responsible for the preparation of the other information, comprising of the information included in the Management Discussion and Analysis, Board's Report including Annexures to Board's Report, Business Responsibility Report, Corporate Governance and such other disclosures related Information, excluding the Standalone Ind AS Financial Statements and auditor's report thereon ('Other Information'). The Other Information is expected to be made available to us after the date of this Auditors' Report. Our opinion on the Standalone Ind AS Financial Statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Standalone Ind AS Financial Statements, our responsibility is to read the Other Information when it becomes available and, in doing so, consider whether the Other Information is materially inconsistent with the Standalone Ind AS Financial Statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated. When we read the Other Information and if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance as required under SA 720 'The Auditor's responsibilities Relating to Other Information'.

Responsibility of Management's & Board of Directors for Standalone Ind AS Financial Statements

6. The Company's Management and Board of Directors are responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these Standalone Ind AS Financial Statements that give a true and fair view of the state of affairs, profit and other comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards (Ind AS) specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Standalone Ind AS Financial Statements that give a true and fair view and are free from material misstatement, whether due to fraud or error. In preparing the Standalone Ind AS Financial Statements, management and Board of Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related 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.

The Company's Management and Board of Directors are also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Standalone Ind AS Financial Statements

7. Our objectives are to obtain reasonable assurance about whether the Standalone Ind AS 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. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Standalone Ind AS Financial Statements. Our audit process in accordance with the SAs is narrated in detail in Annexure 1 to this report.

Other Matter

8. Due to complete lockdown, imposed by the Government, to restrict the spread of COVID19, the audit finalization process, for the year under report, was carried out from remote locations i.e. other than the Office of the Company, based on the data/details made available and based on financial information/records remitted by the management through digital medium. Our report is not modified in respect of this matter.

INDEPENDENT AUDITOR'S REPORT

Report on Other Legal and Regulatory Requirements

9. As required by the Companies (Auditor's Report) Order, 2016 ('the Order'), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure 2, a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
10. As required by section 143(3) of the Act, we report that:
- a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - b. In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
 - c. The Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, the Statement of Changes in Equity and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
 - d. In our opinion, the aforesaid Standalone Ind AS Financial Statements comply with the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
 - e. On the basis of the written representations received from the directors as on March 31, 2020, taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2020 from being appointed as a director in terms of section 164 (2) of the Act.
 - f. With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in Annexure 3.
 - g. In terms of provisions of Section 197(16) of the Act, as per the information and explanations given, we report that the managerial remuneration paid by the Company to its Directors is in accordance with provisions of Section 197 of the Act.
 - h. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Company has disclosed the impact of pending litigations on its financial position in its Standalone Ind AS Financial Statements – Refer Note 31 to the Standalone Ind AS Financial Statements;
 - ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts – Refer Note 32 to the Standalone Ind AS Financial Statements;
 - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

For **Khimji Kunverji & Co LLP**
Chartered Accountants
FRN: 105146W/W100621

Hasmukh B Dedhia
Partner (F - 033494)

UDIN: 20033494AAAAEZ3008

Place: Mumbai
Date: June 18, 2020

INDEPENDENT AUDITOR'S REPORT

Annexure 1 (referred to in paragraph 7 of Independent Auditors' Report)

As part of our audit in accordance with SAs we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Standalone Ind AS Financial Statements, whether due to fraud or error, to design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures in the standalone Ind AS financial statement made by the Management and Board of Directors
- Conclude on the appropriateness of the Management and Board of Directors use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Standalone Ind AS Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Standalone Ind AS Financial Statements, including the disclosures, and whether the Standalone Ind AS Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Standalone Ind AS Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our Auditor's Report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITOR'S REPORT

Annexure 2

(referred to in paragraph 9 of Independent Auditors' Report)

- i (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. According to the information and explanation given to us, no material discrepancies were noticed on such verification.
- (c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of immovable properties are held in the name of the Company.
- ii. The Company does not hold any inventory or securities as stock in trade, hence clause 3(ii) of the Order is not applicable to the Company.
- iii. According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Act,
- Accordingly, the provisions of clause 3 (iii) (a), (b) and (c) of the Order are not applicable to the Company.
- iv. In our opinion and according to the information and explanations given to us, provisions of Section 185 and 186 of the Act in respect of loans to directors including entities in which they are interested and in respect of loans and advances given, investments made and, guarantees, and securities given have been complied with by the Company.
- v. According to the information and explanations given to us, the Company has not accepted any deposits from the public.
- vi. According to the information and explanations given to us, the Company is not required to maintain any cost records as prescribed by the Central Government under sub-section (1) of Section 148 of the Act.
- vii. (a) According to the information and explanations given to us and based on the records of the Company examined by us, the Company is regular in depositing the undisputed statutory dues, including, Provident Fund, Employees' State Insurance, Income-tax, Goods and Service Tax and other material statutory dues, as applicable, with the appropriate authorities in India. There are no undisputed statutory dues payable in respect to the above statutes, outstanding as at March 31, 2020 for a period of more than six months from the date they became payable.
- As informed, the Company is not liable to pay Custom Duty and Cess during the year.
- (b) According to the information and explanations given to us and based on the records of the Company examined by us, there are no dues of Income Tax, Service Tax, Value Added Tax, Sales Tax, Customs Duty, Excise Duty, Goods and Service Tax and Cess which have not been deposited on account of any disputes except the following:

Name of the statute	Nature of the dues	Amount (Rs.)	Period to which the amount relates	Forum where dispute is pending
The Income Tax Act, 1961	Income Tax	24,66,238	AY 2016-17	Commissioner of Income Tax (Appeals)
The Income Tax Act, 1961	Income Tax	30,55,506	AY 2017-18	Commissioner of Income Tax (Appeals)

INDEPENDENT AUDITOR'S REPORT

- viii. According to the information and explanations given to us and on the basis of our examination of the records of the Company, there are no loans taken from financial institutions, government and banks nor has the Company issued any debentures, hence clause 3(viii) of the Order is not applicable.
- ix. The Company has not raised any money by way of initial public offer or further public offer (including debt instruments) and term loans during the year. Hence the provision of clause 3(ix) of the Order is not applicable to it.
- x. Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given to us by the management, we report that no fraud by the Company or no fraud on the Company by the officers and employees of the Company has been noticed or reported during the year.
- xi. According to the information and explanations given to us, the managerial remuneration has been paid / provided in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.
- xii. In our opinion and according to the information and explanations given to us, the Company is not a nidhi company. Therefore, the provisions of clause 3(xii) of the order are not applicable to it.
- xiii. According to the information and explanations to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with Section 177 and 188 of the Act where applicable and the details have been disclosed in the Standalone Ind AS financial statements, as required by the applicable accounting standards.
- xiv. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under report. Hence, reporting requirements under clause 3(xiv) of the Order are not applicable to the Company.
- xv. According to the information and explanations given to us, the Company has not entered into any non-cash transactions with directors or persons connected with him as referred to in Section 192 of the Act.
- xvi. According to the information and explanations given to us, the provisions of section 45-IA of the Reserve Bank of India Act, 1934 are not applicable to the Company.

For Khimji Kunverji & Co LLP
Chartered Accountants
FRN: 105146W/W100621

Hasmukh B Dedhia
Partner (F - 033494)

UDIN: 20033494AAAAEZ3008

Place: Mumbai
Date: June 18, 2020

INDEPENDENT AUDITOR'S REPORT

Annexure 3 (referred to in paragraph 10(f) of Independent Auditors' Report)

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ('the Act')

Opinion

In conjunction with our audit of the Standalone Ind AS Financial Statements of the Company as of and for the year ended 31 March 2020, we have audited the internal financial controls with reference to Standalone Ind AS Financial Statements of CARE Ratings Limited ('the Company') as of that date.

In our opinion, the Company has, in all material respects, adequate internal financial controls system with reference to Standalone Ind AS Financial Statements and such internal financial controls were operating effectively as at 31 March, 2020, based on the internal financial controls with reference to Standalone Ind AS Financial Statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (the 'Guidance Note').

Management's Responsibility for Internal Financial Controls

The Company's management and the Board of Directors are responsible for establishing and maintaining internal financial controls based on the internal financial controls with reference to Standalone Ind AS Financial Statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013 (hereinafter referred to as 'the Act').

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls with reference to Standalone Ind AS Financial Statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to Standalone Ind AS Financial Statements. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to Standalone Ind AS Financial Statements were established and maintained and whether such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system with reference to Standalone Ind AS Financial Statements and their operating effectiveness. Our audit of internal financial controls with reference to Standalone Ind AS Financial Statements included obtaining an understanding of such internal financial controls, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Standalone Ind AS Financial Statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls with reference to Standalone Ind AS Financial Statements.

Meaning of Internal Financial Controls over Financial Reporting

A Company's internal financial controls with reference to Standalone Ind AS Financial Statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Standalone Ind AS Financial Statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial controls

INDEPENDENT AUDITOR'S REPORT

with reference to Standalone Ind AS Financial Statements include those policies and procedures that;

1. pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
2. provide reasonable assurance that transactions are recorded as necessary to permit preparation of Standalone Ind AS Financial Statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorisations of management and directors of the Company; and
3. provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Company's assets that could have a material effect on the Standalone Ind AS Financial Statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

Because of the inherent limitations of internal financial controls with reference to Standalone Ind AS Financial Statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to Standalone Ind AS Financial Statements to future periods are subject to the risk that the internal financial controls with reference to Standalone Ind AS Financial Statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

For **Khimji Kunverji & Co LLP**
Chartered Accountants
FRN: 105146W/W100621

Hasmukh B Dedhia
Partner (F - 033494)

UDIN: 20033494AAAAEZ3008

Place: Mumbai
Date: June 18, 2020

BALANCE SHEET

as at March 31, 2020

(Rs. in Lakhs)

<i>Particulars</i>	<i>Note Number</i>	<i>As at March 31, 2020</i>	<i>As at March 31, 2019</i>
ASSETS			
Non-Current Assets			
Property Plant and Equipment	2	7,283.40	7,323.47
Right of use assets	45	862.71	-
Other Intangible Assets	2	117.05	156.49
Intangible Assets under development	2	34.14	-
Financial Assets			
Investments	3	25,154.16	27,433.54
Loans	4	554.94	268.30
Other Non-Current Financial Assets	5	7.74	9.44
Other Non-Current Assets	6	29.92	73.42
Total Non-Current Assets		34,044.06	35,264.66
Current Assets			
Financial Assets			
Investments	7	10,785.84	18,382.76
Trade Receivables	8	3,601.74	4,352.80
Cash and Cash Equivalents	9	392.70	1,832.63
Bank Balances other than Cash and Cash Equivalents	10	9,726.51	220.44
Loans	11	63.72	64.51
Other Current Financial Assets	12	356.14	169.90
Contract Assets	13	30.14	68.70
Current Tax Asset (Net)	14	1,090.21	-
Other Current Assets	15	222.62	246.28
Total Current Assets		26,269.62	25,338.02
Total Assets		60,313.68	60,602.68
EQUITY AND LIABILITIES			
EQUITY			
Equity Share Capital	16	2,946.12	2,946.12
Other Equity	17	50,211.98	52,019.76
LIABILITIES			
Non-Current Liabilities			
Financial Liabilities			
Other Non-Current Financial Liabilities	18	648.90	-
Provisions	19	764.84	609.00

BALANCE SHEET

as at March 31, 2020

(Rs. in Lakhs)

<i>Particulars</i>	<i>Note Number</i>	<i>As at March 31, 2020</i>	<i>As at March 31, 2019</i>
Deferred Tax Liabilities (Net)	20	608.97	738.43
Total Equity & Non-Current Liabilities		55,180.81	56,313.31
Current Liabilities			
Financial Liabilities			
Other Current Financial Liabilities	21	1,041.50	873.01
Contract Liabilities	22	2,430.48	1,694.01
Other Current Liabilities	23	1,229.21	1,151.59
Provisions	24	431.68	396.91
Current Tax Liability (Net)	25	-	173.85
Total Current Liabilities		5,132.87	4,289.37
Total Equity and Liabilities		60,313.68	60,602.68

Significant Accounting Policies

1

The accompanying notes are an integral part of the financial statements.

As per our attached Report of even date

For Khimji Kunverji & Co. LLP

Chartered Accountants

FRN: 105146 W/ W100621

[Hasmukh Dedhia]

Partner (F-033494)

Mumbai

Date : June 18, 2020

For and on behalf of the Board of Directors of**CARE Ratings Limited****[Ajay Mahajan]**Managing Director & CEO
DIN No- 05108777**[Bharat Adnani]**Chief Financial Officer
M.No. 112238

Mumbai

Date : June 18, 2020

[Adesh Kumar Gupta]Independent Director
DIN No. - 00020403**[Navin Jain]**Company Secretary
ACS A10703**[Najib Shah]**Independent Director
DIN No. - 08120210

STATEMENT OF PROFIT & LOSS

for the year ended March 31, 2020

(Rs. in Lakhs)

<i>Particulars</i>	<i>Note Number</i>	<i>Year Ended March 31, 2020</i>	<i>Year Ended March 31, 2019</i>
Income			
Revenue From Operations	26	21,910.23	29,735.74
Other Income	27	3,133.60	2,983.40
Total Revenue		25,043.83	32,719.14
Expenses			
Employee Benefits Expense	28	9,669.54	9,354.03
Depreciation and Amortization Expense	2 & 45	690.75	306.39
Finance Cost	29	73.87	-
Other Expenses	30	4,584.98	3,254.23
Total Expenses		15,019.14	12,914.65
Profit before Tax		10,024.69	19,804.49
Tax Expense			
Current Tax	37	2,100.00	5,989.64
Deferred Tax Expense	37	(105.83)	316.16
Adjustment of Tax of Earlier Years		(19.66)	-
Total Tax Expense		1,974.51	6,305.80
Profit after Tax		8,050.18	13,498.68
Other Comprehensive Income			
A (i) Items that will not be reclassified to profit & Loss		(93.87)	(313.29)
(ii) Income tax relating to items that will not be reclassified to profit or loss		23.62	109.48
B (i) Items that will be reclassified to profit & Loss		-	-
(ii) Income tax relating to items that will be reclassified to profit or loss			
Other Comprehensive Income for the year		(70.25)	(203.81)
Total Comprehensive Income for the year		7,979.93	13,294.88
Earnings Per Share (Face Value Rs.10/- each)			
- Basic	36	27.32	45.82
- Diluted	36	27.32	45.82

STATEMENT OF PROFIT & LOSS

for the year ended March 31, 2020

Significant Accounting Policies

1

The accompanying notes are an integral part of the financial statements.

As per our attached Report of even date

For Khimji Kunverji & Co. LLP
Chartered Accountants
FRN: 105146 W/ W100621

For and on behalf of the Board of Directors of
CARE Ratings Limited

[Hasmukh Dedhia]
Partner (F-033494)

[Ajay Mahajan]
Managing Director & CEO
DIN No- 05108777

[Adesh Kumar Gupta]
Independent Director
DIN No. - 00020403

[Najib Shah]
Independent Director
DIN No. - 08120210

Mumbai
Date : June 18, 2020

[Bharat Adnani]
Chief Financial Officer
M.No. 112238

[Navin Jain]
Company Secretary
ACS A10703

Mumbai
Date : June 18, 2020

CASH FLOW STATEMENT

for the year ended March 31, 2020

(Rs. in Lakhs)

<i>Particulars</i>	<i>For the Year ended March 31, 2020</i>	<i>For the Year ended March 31, 2019</i>
Profit before tax	10,024.69	19,804.49
Adjustments for		
Income from investments	(1,210.42)	(1,377.16)
Notional Income on Fair Value of Security Deposits	(9.98)	-
Unrealized Gain on Fair Valuation of Investments through Profit and Loss	(1,819.47)	(1,427.69)
Provision for Compensated Absence	96.31	133.05
Provision for Gratuity	81.61	(24.20)
Provision for Leave Travel Allowance	12.69	26.31
Provision for Bad Debts	712.19	124.75
Bad Debts written off	237.38	64.21
Deferred Lease expenses	-	10.40
Loss on Sale of Fixed Assets	10.03	(2.81)
ESOP Expense	534.51	1,273.73
Profit on sale of investments	-	(60.62)
Amortisation of bonds	17.09	17.04
Finance cost on Lease Liabilities	73.87	-
Depreciation	690.75	306.39
Operating Profit before working capital changes	9,451.25	18,867.89
Movements in working capital		
Decrease/(Increase) in Financial Assets	(9,874.97)	(1,014.53)
Decrease/(Increase) in Other Assets	30.83	(45.46)
Decrease/(Increase) in Current Financial Assets	38.56	(0.93)
Decrease/(Increase) in Other Current Assets	23.67	(68.87)
Decrease/(Increase) in Financial Liabilities	(76.44)	(93.42)
Decrease/(Increase) in Contract Liabilities	736.48	(289.91)
Decrease/(Increase) in Other Liabilities	77.62	(150.48)
Total Movements in working capital	(9,044.25)	(1,663.60)
Taxes paid	(3,344.41)	(6,127.94)
Net cash from operating activities(1)	(2,937.41)	11,076.34
Cash flows from Investing Activities		
Income from investments	1,210.42	1,377.16
Sale of fixed assets	22.20	2.81
Purchase of fixed assets & capital advance	(385.80)	(2,638.91)
Loan Given	(300.00)	-
Purchase of investments	(2,700.00)	(16,374.22)

CASH FLOW STATEMENT

for the year ended March 31, 2020

(Rs. in Lakhs)

<i>Particulars</i>	<i>For the Year ended March 31, 2020</i>	<i>For the Year ended March 31, 2019</i>
Redemption of investments	14,252.53	25,738.47
Net cash from investing activities.....(2)	12,099.35	8,105.31
Cash flows from Financing Activities		
Dividend and Dividend Tax paid	(10,299.95)	(19,534.38)
Repayment of Lease Liability	(228.05)	-
Payment of Interest on Lease Liability	(73.87)	-
Net cash from financing activities.....(3)	(10,601.87)	(19,534.38)
Net increase / (decrease) in cash and cash equivalents (1+2+3)	(1,439.93)	(352.73)
Cash And Cash Equivalents at the Beginning	1,832.63	2,185.36
Cash And Cash Equivalents at the End	392.70	1,832.63

Significant Accounting Policies

1

The accompanying notes are an integral part of the financial statements.

As per our attached Report of even date

For Khimji Kunverji & Co. LLP
Chartered Accountants
FRN: 105146 W/ W100621

[Hasmukh Dedhia]
Partner (F-033494)

Mumbai
Date : June 18, 2020

**For and on behalf of the Board of Directors of
CARE Ratings Limited**

[Ajay Mahajan]
Managing Director & CEO
DIN No- 05108777

[Bharat Adnani]
Chief Financial Officer
M.No. 112238

Mumbai
Date : June 18, 2020

[Adesh Kumar Gupta]
Independent Director
DIN No. - 00020403

[Navin Jain]
Company Secretary
ACS A10703

[Najib Shah]
Independent Director
DIN No. - 08120210

STATEMENT OF CHANGES IN EQUITY

for the year ended March 31, 2020

A. Equity Share Capital

(Rs. in Lakhs)

For the year ended March 31, 2020

<i>Balance as at April, 01, 2019</i>	<i>Changes in Equity Share Capital during the year</i>	<i>Balance as at March 31, 2020</i>
2,946.12	-	2,946.12

For the year ended March 31, 2019

(Rs. in Lakhs)

<i>Balance as at April, 01, 2018</i>	<i>Changes in Equity Share Capital during the year</i>	<i>Balance as at March 31, 2019</i>
2,946.12	-	2,946.12

STATEMENT OF CHANGES IN EQUITY

for the year ended March 31, 2020

Particulars	Reserves & Surplus						Other Comprehensive Income	Total Equity
	Share Option Outstanding Reserve	Capital Redemption Reserve	Securities Premium	General Reserve	Retained Earnings	Equity Instruments through other comprehensive income		
Balance as at April 01, 2019	2,138.63	22.50	6,517.63	19,477.60	23,776.51	86.89	52,019.76	
Profit for the year (1)	-	-	-	-	8,050.18	-	8,050.18	
Other Comprehensive Income/ (loss) for the year								
Remeasurement gain/(loss) on defined benefit plan (2)	-	-	-	-	(108.59)	14.72	(93.87)	
Tax impact on above	-	-	-	-	23.62	-	23.62	
Total Comprehensive Income/ (loss) for the year (1+2+3)	-	-	-	-	7,965.21	14.72	7,979.93	
Contribution by and Distribution to Owners								
Dividends	-	-	-	-	(8,543.75)	-	(8,543.75)	
Dividend distribution tax	-	-	-	-	(1,756.19)	-	(1,756.19)	
Impact of Right of use asset pertaining to earlier years	-	-	-	-	(22.29)	-	(22.29)	
Employee Stock Option Granted/charge for this period	534.51	-	-	-	-	-	534.51	
Employee Stock Option lapsed during the period	(321.58)	-	-	321.58	-	-	-	
Balance as at March 31, 2020	2,351.56	22.50	6,517.63	19,799.18	21,419.50	101.61	50,211.98	

B. Other Equity
For the year ended March 31, 2020

(Rs. in Lakhs)

STATEMENT OF CHANGES IN EQUITY

for the year ended March 31, 2020

Particulars	Reserves & Surplus					Other Comprehensive Income	Total Equity
	Share Option Outstanding Reserve	Capital Redemption Reserve	Securities Premium	General Reserve	Retained Earnings		
Balance as at April 01, 2018	864.90	22.50	6,517.63	19,477.60	29,930.55	172.36	56,985.54
Profit for the year (1)	-	-	-	-	13,498.68	-	13,498.68
Other Comprehensive Income/(loss) for the year							
Remeasurement gain/(loss) on defined benefit plan (2)	-	-	-	-	(118.34)	-	(118.34)
Net gains on fair value through Other Comprehensive Income (OCI) investments (3)	-	-	-	-	-	(85.47)	(85.47)
Total Comprehensive Income/(loss) for the year (1+2+3)	-	-	-	-	13,380.34	(85.47)	13,294.87
Contribution by and Distribution to Owners							
Dividends	-	-	-	-	(16,203.67)	-	(16,203.67)
Dividend distribution tax	-	-	-	-	(3,330.71)	-	(3,330.71)
Employee Stock Option Granted	1,273.73	-	-	-	-	-	1,273.73
Balance as at March 31, 2019	2,138.63	22.50	6,517.63	19,477.60	23,776.51	86.89	52,019.76

STATEMENT OF CHANGES IN EQUITY

for the year ended March 31, 2020

The description of the nature and purpose of each reserve within equity is as follows:

a. Capital Redemption Reserve

Capital Redemption Reserve represents nominal value of shares credited at the time of buyback of shares.

b. Securities Premium Reserve

Securities Premium Reserve is credited when the shares are issued at premium. It will be utilized in accordance with the provision of the Companies Act, 2013 to issue bonus shares, to provide for premium on redemption of shares, equity related expenses like underwriting costs, etc.

c. Employees Stock Options Outstanding Reserve

The Company has Share Options Scheme under which option to subscribe for the Company's shares have been granted to selected employees. Refer Note 38 for further details of this plan.

d. General Reserve

The Company has transferred a portion of the net profits of the Company before declaring dividends to General Reserve. Mandatory transfer to General Reserve is not required under the Act, 2013.

Significant Accounting Policies

1

The accompanying notes are an integral part of the financial statements.

As per our attached Report of even date

For Khimji Kunverji & Co. LLP
Chartered Accountants
FRN: 105146 W/ W100621

[Hasmukh Dedhia]
Partner (F-033494)

Mumbai
Date : June 18, 2020

For and on behalf of the Board of Directors of
CARE Ratings Limited

[Ajay Mahajan]
Managing Director & CEO
DIN No- 05108777

[Bharat Adnani]
Chief Financial Officer
M.No. 112238

Mumbai
Date : June 18, 2020

[Adesh Kumar Gupta]
Independent Director
DIN No. - 00020403

[Navin Jain]
Company Secretary
ACS A10703

[Najib Shah]
Independent Director
DIN No. - 08120210

NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2020

Note 1:

Company Overview and Significant Accounting Policies

Company Overview:

CARE Ratings Limited (the Company), commenced its operations in April 1993 and has established itself as the leading credit rating agency of India. The Company provides various credit ratings that helps corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. The Company has its registered office and head office both located in Mumbai. In addition, CARE Ratings has regional offices at Ahmedabad, Bengaluru, Chandigarh, Chennai, Cochin, Coimbatore, Hyderabad, Jaipur, Kolkata, New Delhi and Pune.

Summary of Significant Accounting Policies:

a. Statement of Compliance

These financial statements are prepared in accordance with the Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 as amended from time to time, the relevant provision of the Companies Act, 2013 ("the Act") and guidelines issued by the Securities and Exchange Board of India (SEBI), as applicable.

The Standalone financial statements were approved for issue by the Board of Directors on June 18, 2020

b. Basis of preparation of Financial Statements

The financial statements have been prepared on a historical cost basis, except for the following assets and liabilities:

- i. Certain financial assets and liabilities measured at fair value and classified as fair value through other comprehensive income or fair value through profit or loss
- ii. Employee's Defined Benefit Plan as per actuarial valuation
- iii. Equity settled share based payments measured at fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions, regardless of whether that price is directly observable or estimated using another valuation technique. In determining the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Functional and Presentation Currency

The financial statements are presented in Indian Rupees, which is the functional currency of the Company and the currency of the primary economic environment in which the Company operates.

Classification of Assets and Liabilities into Current/Non-Current

The Company has ascertained its operating cycle as twelve months for the purpose of Current/ Non-Current classification of its Assets and Liabilities.

For the purpose of Balance Sheet, an asset is classified as current if:

- i. It is expected to be realised, or is intended to be sold or consumed, in the normal operating cycle; or
 - ii. It is held primarily for the purpose of trading; or
 - iii. It is expected to realise the asset within twelve months after the reporting period; or
 - iv. The asset is a cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.
- All other assets are classified as non-current.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2020

Similarly, a liability is classified as current if:

- i. It is expected to be settled in the normal operating cycle; or
- ii. It is held primarily for the purpose of trading; or
- iii. It is due to be settled within twelve months after the reporting period; or
- iv. The Company does not have an unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could result in its settlement by the issue of equity instruments at the option of the counterparty does not affect this classification.

All other liabilities are classified as non-current.

c. Property, Plant and Equipment (PPE)

Property, plant and equipment are stated at cost, less accumulated depreciation and impairment loss, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Expenditure incurred after the PPE have been put into operations, such as repairs and maintenance, are charged to the Statement of Profit & Loss in the period in which the costs are incurred.

An item of PPE is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment, determined as the difference between the sales proceeds and the carrying amount of the asset, is recognized in the Statement of Profit or Loss.

d. Capital advances, Capital Work in Progress and Intangibles under development

Advances paid towards acquisition of PPE outstanding at each Balance Sheet date is classified as capital advances under other non-current assets.

Capital work-in-progress in respect of assets which are not ready for their intended use are carried at cost, comprising of direct costs, related incidental expenses and attributable interest.

Expenditure on development eligible for capitalization are carried as intangible assets under development where such assets are not yet ready for their intended use.

e. Depreciation

Depreciation on PPE is the systematic allocation of the depreciable amount over its useful life and is provided on a straight-line basis over such useful lives as prescribed in Schedule II of the Companies Act, 2013.

Depreciation on additions is being provided on Pro rata basis from the date of such additions.

Depreciation on sale or disposal is provided on Pro rata basis till the date of such sale or disposal.

f. Intangible Assets and Amortization

Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses thereon, if any. An intangible asset is recognized, where it is probable that the future economic benefit attributable to the assets will flow to the enterprise and where its costs can be reliably measured. The Company determine the amortization period as the period over which future economic benefit will flow to the Company after taking into account all relevant facts and circumstances.

An intangible asset is derecognized on disposal or when no future economic benefits are expected from use or disposal. Gains or losses arising from de-recognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in the profit or loss when the asset is derecognized.

Intangible assets in the nature of computer software is amortized over the period of 3 years.

g. Impairment of Non-Financial Assets – Property, Plant and Equipment & Intangible Assets

The carrying amount of assets are reviewed at each Balance Sheet date if there is any indication of impairment based on

NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2020

internal/ external factors. An asset is treated as impaired when the carrying cost of asset exceeds its recoverable value. The recoverable amount is the higher of an asset's fair value less cost of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Reversal of impairment losses recognized in prior years is recorded when there is an indication that impairment losses recognized for the assets no longer exist or have decreased.

h. Financial Instruments

A Financial Instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial Assets & Financial Liabilities are recognized when the Company becomes party to contractual provisions of the relevant instrument.

Initial Recognition

All financial assets and liabilities are initially recognized at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities, which are not at fair value through profit or loss, are adjusted to the fair value on initial recognition. Transaction costs directly attributable to acquisition or issue of financial assets or financial liabilities at fair value through profit or loss at recognised immediately in the Statement of Profit and Loss.

Classification and Subsequent Measurement: Financial Assets

The Company classifies financial assets as subsequently measured at Amortised Cost, Fair Value through Other Comprehensive Income ("FVTOCI") or Fair Value through Profit or Loss ("FVTPL") on the basis of the entity's business model for managing the financial assets and The contractual cash flow characteristics of the financial asset.

i. Amortized Cost

A financial asset is measured at amortised cost if it is held within a business model whose objective is to hold the asset in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

In case of financial assets classified and measured at amortised cost, any interest income, foreign exchange gains or losses and impairment are recognised in the Statement of Profit and Loss.

ii. Fair Value through Other Comprehensive Income (FVTOCI)

A financial asset is measured at FVTOCI if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

iii. Fair Value through Profit & Loss (FVTPL)

A financial asset which is not classified in any of the (i) or (ii) above categories are measured at FVTPL.

Investment in Subsidiaries :

The Company's equity investments in its Subsidiaries are carried at cost.

Investment in Equity Instruments designated to be classified as FVTOCI

The Company carries certain equity instruments which are not held for trading. The Company has elected the irrevocable option to measure such instruments at FVTOCI since initial recognition. Movements in fair value of these investments are recognized in Other Comprehensive Income and the gain or loss will not be reclassified to Statement of Profit and Loss on disposal of these investments. Dividends from these investments are recognized in statement of profit and loss when the Company's right to receive dividends is established.

Classification and Subsequent Measurement: Financial Liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or 'Other Financial Liabilities'.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2020

Financial Liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is held for trading or are designated upon initial recognition as FVTPL: Gains or Losses on liabilities held for trading are recognized in the Statement of Profit and Loss.

Other Financial Liabilities

Other financial liabilities are subsequently measured at Amortised Cost using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost on initial recognition. For the liabilities maturing within one year from the balance sheet date, the carrying amounts approximate fair value due to the short maturity of these instruments.

Impairment of Financial Assets

In accordance with Ind AS 109, the Company uses 'Expected Credit Loss' (ECL) model, for evaluating impairment of financial assets other than those measured at (FVTPL). Expected credit losses are measured through a loss allowance at an amount equal to:

The 12-months expected credit losses (expected credit losses that result from those default events on the financial Instrument that are possible within 12 months after the reporting date); or Full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument).

For trade receivables, the Company applies 'simplified approach' which requires expected lifetime losses to be recognised from initial recognition of the receivables. The application of simplified approach does not require the Company to track changes in credit risk. The Company calculates the expected credit losses on trade receivables using a provision matrix on the basis of its historical credit loss experience.

Derecognition of Financial Assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition under Ind AS 109. A financial liability (or a part of a financial liability) is derecognized from the Company's Balance Sheet when the obligation specified in the contract is Discharged or cancelled or expires.

The difference between the carrying amount of the financial liability de-recognised and the consideration paid and payable is recognised in the Statement of Profit and Loss.

i. Cash and Cash Equivalent

Cash and cash equivalents in the Balance Sheet comprise cash at bank and in hand that are readily convertible into cash which are subject to insignificant risk of changes in value and are held for the purpose of meeting short-term cash commitments.

j. Revenue Recognition

Rating Income (Including Surveillance Income)

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Rating income is measured and recognised based on percentage of completion method. Major portion of Initial and surveillance rating fees is recognised on the date of rating based on efforts and balance portion of it is over the twelve months from the date of rating. As a matter of prudent policy and on the basis of past experience of recoverability of income, fees in respect of certain defined categories of clients are recognized when there is reasonable certainty of ultimate collection.

Income on subscription to information services primarily pertains to sale of research reports and the income thereon is recognized on accrual basis.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2020

Interest Income

Interest income from debt instruments viz. investment in PSU Bonds is recognised using the effective interest rate method. The effective interest rate is the rate that discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of a financial asset. When calculating the effective interest rate, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument but does not consider the expected credit losses.

Dividend Income

Dividends are recognised in the Statement of Profit and Loss only when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

Sale of Investments

Difference between the sale price and carrying value of investment as determined at the end of the previous year is recognised as profit or loss on sale / redemption on investment on trade date of transaction.

k. Lease

Effective April 1, 2019, the Company adopted Ind AS 116 'Leases' using the modified retrospective method, under which the cumulative effect of initial application is recognised in retained earnings at April 1, 2019. Accordingly, the comparative information has not been restated.

The Company, at the inception of a contract, assesses the contract as, or containing, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether the contract involves the use of an identified asset, the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and the Company has the right to direct the use of the asset.

Company as a lessee

On initial application of Ind AS 116, the Company recognised a lease liability measured at the present value of all the remaining lease payments, discounted using rate that matches opportunity cost of Investment at April 1, 2019 whereas the Company has elected to measure right-of-use asset at its carrying amount as if Ind AS 116 had been applied since the lease commencement date, but discounted using rate that matches opportunity cost of Investment at April 1, 2019. The Company has elected not to recognise a lease liability and a right-of-use asset for leases for which the lease term ends within twelve months of April 1, 2019 and has accounted for these leases as short-term leases. The lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

For new lease contracts, the Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee in the balance sheet. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using rate that matches opportunity cost of Investment.

Subsequently, the lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or when the lease contract is modified and the lease modification is not accounted for as a separate lease. The corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the related right-of-use asset has been reduced to zero.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability, any lease payments made at or before the commencement date, any initial direct costs less any lease incentives received.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2020

Right-of-use assets are evaluated for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the Cash Generating Unit (CGU) to which the asset belongs.

Subsequent to initial recognition, right-of-use asset are stated at cost less accumulated depreciation and any impairment losses and adjusted for certain remeasurements of the lease liability. Depreciation is computed using the straight-line method from the commencement date to the end of the useful life of the underlying asset or the end of the lease term, whichever is shorter. The estimated useful lives of right-of-use assets are determined on the same basis as those of the underlying property and equipment. In the balance sheet, the right-of-use assets and lease liabilities are presented separately.

The Company has elected not to recognise right-of-use assets and lease liabilities for short term leases that have a lease term of 12 months or less and leases of low value assets. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Lease liability has been presented in Note 18 "Other Non-Current Financial Liabilities", Note No. 21 "Other Current Financial Liabilities" and Right-of-use asset has been presented in Note 2 "Property, Plant and Equipment" and lease payments have been classified as financing cash flows.

I. Translation of Foreign Currency Items

Foreign currency transactions are recorded at exchange rate prevailing on the date of the transaction. Foreign currency denominated monetary assets and liabilities are restated into the functional currency using exchange rates prevailing on the Balance sheet date. Gains and losses arising on settlement and restatement of foreign currency denominated monetary assets and liabilities are recognised in the statement of profit and loss, Non-monetary assets and liabilities that are measured in terms of historical cost of foreign currencies are not translated.

m. Employee Benefit Expense

Defined Benefit Plan:

The Company pays gratuity to the employees whoever has completed five years of service with the Company at the time of resignation/superannuation. The gratuity liability amount is contributed to the approved gratuity fund formed exclusively for gratuity payment to the employees.

The liability in respect of gratuity and other post-employment benefits is calculated using the Projected Unit Credit Method and spread over the period during which the benefit is expected to be derived from employee's services.

Re-measurement (comprising actuarial gains and losses, return on plan assets, etc.) of defined benefit plans in respect of post-employment are charged to the Other Comprehensive Income. Re-measurement recognised in Other comprehensive income is reflected immediately in retained earnings and will not be reclassified to Statement of Profit and Loss.

The present value of the defined benefit plan liability is calculated using a discount rate which is determined by reference to market yields at the end of the reporting period on government bonds.

The defined benefit obligation recognised in the Balance Sheet represents the actual deficit or surplus in the Company's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2020

Defined Contribution Plan

Payments to defined contribution plans are recognised as an expense when employees have rendered service entitling them to the contributions.

The eligible employees of the Company are entitled to receive benefits in respect of provident fund, for which both the employees and the Company make monthly contributions at a specified percentage of the covered employees' salary. The contributions as specified under the law are made to the Government Provident Fund monthly.

Other Employee Benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave in the period the related service is rendered. Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service. Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Company in respect of services provided by employees up to the reporting date.

n. Income Taxes:

The tax expense for the year comprises current and deferred tax. Tax is recognized in Statement of Profit and Loss, except to the extent that it relates to items recognized in the comprehensive income or in equity. In which case, the tax is also recognized in other comprehensive income or equity.

Current Tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted at the Balance sheet date.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial Statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Tax relating to items recognised directly in equity or OCI is recognised in equity or OCI and not in the Statement of Profit and Loss. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent it is probable that future taxable profits will be available against which the temporary difference can be utilised. The carrying amount of Deferred tax liabilities and assets are reviewed at the end of each reporting period date and are reduced to the extent that it is no longer probable.

o. Earnings Per Share

The basic Earnings Per Share ("EPS") is computed by dividing the net profit / (loss) after tax for the year attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year.

For the purpose of calculating diluted earnings per share, net profit/(loss) after tax for the year attributable to the equity shareholders and the weighted average number of equity shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2020

p. Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects current market assessment of time value of money and, where appropriate, the risks specific to the liability. Unwinding of the discount is recognised in the Statement of Profit and Loss as a finance cost. Provisions are reviewed at each reporting date and are adjusted to reflect the current best estimate.

Contingent liabilities are also disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Claims against the Company where the possibility of any outflow of resources in settlement is remote, are not disclosed as contingent liabilities.

Contingent assets are not recognised in financial statements since this may result in the recognition of income that may never be realised. However, when the realisation of income is virtually certain, then the related asset is not a contingent asset and is recognised.

q. Share Based Payments

Equity-settled share based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share based payments is expensed on a straight line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in Statement of Profit and Loss such that the cumulative expenses reflects the revised estimate, with a corresponding adjustment to the Share Based Payments Reserve.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

r. Segment Reporting - Identification of Segments:

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Company's management to make decisions for which discrete financial information is available.

Note 1(A):

Use of Estimates and Judgements

The preparation of the financial statements in conformity with Ind AS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future periods affected. In particular, information about significant areas

NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2020

of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are included in the following notes:

a. Useful Lives of Property, Plant & Equipment:

The Company uses its technical expertise along with historical and industry trends for determining the economic life of an asset/component of an asset. The useful lives are reviewed by management periodically and revised, if appropriate. In case of a revision, the unamortised depreciable amount is charged over the remaining useful life of the assets

b. Fair value measurement of Financial Instruments

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques. The inputs for valuation techniques are taken from observable market where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility.

c. Revenue

The Company recognizes portion of rating fee income commensurate with the efforts involved based on percentage completion method.

The Company uses various judgments and estimates to assess the efforts required for completion of various activities in the rating process. Based on assessment, the Company defines the percentage completion to be applied to measure income to be recognized from initial rating and surveillance during the year.

As a matter of prudent policy and on the basis of past experience of recoverability of income, fees in respect of certain defined categories of clients are recognized when there is reasonable certainty of ultimate collection.

d. Defined benefit plans

The cost of the defined benefit gratuity plan and other employment benefits and the present value of the gratuity obligation and other employment benefits are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

e. Expected Credit Losses on Financial Assets

The impairment provisions of financial assets are based on assumptions about risk of default and expected timing of collection. The Company uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, customer's creditworthiness, existing market conditions as well as forward looking estimates at the end of each reporting period.

f. Share-Based Payments

The Company measures the cost of equity-settled transactions with employees using Black-Scholes model to determine the fair value of the liability incurred on the grant date. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant.

This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 38.

g. Leases

Ind AS 116 defines a lease term as the non-cancellable period for which the lessee has the right to use an underlying asset including optional periods, when an entity is reasonably certain to exercise an option to extend (or not to terminate) a lease. The Company considers all relevant facts and circumstances that create an economic incentive for the lessee to

NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2020

exercise the option when determining the lease term. The option to extend the lease term are included in the lease term, if it is reasonably certain that the lessee will exercise the option. The Company reassess the option when significant events or changes in circumstances occur that are within the control of the lessee.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2020

Note 2: Property, Plant and Equipment

(Rs. in Lakhs)

Description of Assets	Gross Block			Depreciation			Net Block		
	As at April 01, 2019	Additions during the year	Deductions during the year	As at March 31, 2020	As at April 01, 2019	For the year	On deletions / disposals during the year	As at March 31, 2020	As at March 31, 2019
Tangible Assets									
Furniture & Fixtures	249.55	15.86	-	265.41	106.48	36.08	-	122.85	143.07
Office Equipments	295.48	32.00	4.97	322.51	201.44	29.10	4.97	96.94	94.04
Computers	373.12	258.80	106.89	525.03	136.83	127.36	106.89	367.73	236.29
Vehicles	88.67	22.73	42.28	69.12	10.57	11.76	10.06	56.85	78.10
Electrical Installations	78.52	2.53	-	81.05	29.66	10.43	-	40.96	48.86
Buildings	7,014.65	-	-	7,014.65	291.54	125.04	-	6,598.07	6,723.11
Total Tangible Assets	8,099.99	331.92	154.14	8,277.77	776.52	339.77	121.92	7,283.40	7,323.47
Intangible Assets									
Computer Software	231.41	32.40	-	263.81	74.92	71.84	-	117.05	156.49
Total Intangible Assets	231.41	32.40	-	263.81	74.92	71.84	-	117.05	156.49
Intangible Assets under development	-	34.14	-	34.14	-	-	-	34.14	-
Total Intangible Assets under development	-	34.14	-	34.14	-	-	-	34.14	-
Total	8,331.40	398.46	154.14	8,575.72	851.44	411.61	121.92	7,434.59	7,479.96

NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2020

Note 2: Property, Plant and Equipment

(Rs. in Lakhs)

Description of Assets	Gross Block				Depreciation			Net Block	
	As at April 01, 2018	Additions during the year	Deductions during the year	As at March 31, 2019	As at April 01, 2018	For the year	On de-letions / disposals during the year	As at March 31, 2019	As at March 31, 2018
Tangible Assets									
Furniture & Fixtures	201.06	48.49	-	249.55	70.31	36.17	-	143.07	130.74
Office Equipments	231.92	64.56	1.00	295.48	181.43	21.01	1.00	94.04	50.49
Computers	229.71	199.67	56.26	373.12	119.03	74.06	56.26	236.29	110.67
Vehicles	42.28	46.39	-	88.67	0.68	9.89	-	78.10	41.59
Electrical Installations	63.31	15.21	-	78.52	19.74	9.92	-	48.86	43.57
Buildings	4,888.63	2,126.02	-	7,014.65	178.97	112.57	-	6,723.11	4,709.66
Total Tangible	5,656.91	2,500.34	57.26	8,099.99	570.16	263.62	57.26	7,323.47	5,086.72
Intangible Assets									
Computer Software	119.86	111.55	-	231.41	32.15	42.77	-	156.49	87.71
Total Intangible	119.86	111.55	-	231.41	32.15	42.77	-	156.49	87.71
Capital WIP									
Total	5,776.77	2,611.89	57.26	8,331.40	602.31	306.39	57.26	7,479.96	5,174.43

NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2020

Note 3

Investments - Non Current

(Rs. in Lakhs)

Particulars	As at March 31, 2020		As at March 31, 2019	
	Nos	Amount	Nos	Amount
Unquoted:				
Investments measured at cost				
Equity Instruments:				
Subsidiaries				
Face value of Rs. 10 each fully paid:				
CARE Risk Solutions Private Limited	80,13,500	1,057.84	80,13,500	1,057.84
CARE Advisory Research & Training Limited	44,99,950	450.00	44,99,950	450.00
Face value of NPR 100 each fully paid:				
CARE Ratings Nepal Limited	2,55,000	159.91	2,55,000	159.91
Face value of USD 1 each fully paid:				
CARE Ratings (Africa) Private Limited	3,12,001	205.15	3,12,001	205.15
Investment measured at Fair value through Other Comprehensive Income				
Face value of USD 22,600 each fully paid:				
ARC Ratings Holdings Limited	20	287.27	20	242.10
Face value of RM 1 each fully paid:				
Malaysian Rating Corporation Berhad	20,00,000	1,093.19	20,00,000	1,123.63
Investment measured at Fair value through Profit & Loss				
0.1% Optionally Convertible Cumulative Redeemable preference shares				
CARE Risk Solutions Private Limited	50,00,000	670.94	50,00,000	613.44
Total Unquoted Investments		3,924.30	-	3,852.07
Quoted:				
Investment measured at Amortised Cost				
Tax free Bonds		3,676.71		3,693.81
Investment measured at Fair value through Profit & Loss				
Investment in Various Debt Mutual Funds Schemes		17,553.15		19,887.66
Total Quoted Investments		21,229.86		23,581.47
Total Investments		25,154.16		27,433.54
Aggregate amount of Quoted Investments		21,229.86		23,581.47
Market Value of Quoted Investments		21,708.47		23,905.84
Aggregate amount of Unquoted Investments		3,924.30		3,852.07
Aggregate amount of impairment in value of Investment		-		-

NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2020

Note 4

Loans - Non Current

(Rs. in Lakhs)

<i>Particulars</i>	<i>As at March 31, 2020</i>	<i>As at March 31, 2019</i>
Unsecured and Considered Good		
Loan to CARE Risk Solutions Private Limited (wholly owned subsidiary)	400.00	100.00
Loans to Employees	50.45	60.97
Security Deposits	104.49	107.33
Total	554.94	268.30

Note 5

Other Non-Current Financial Assets

(Rs. in Lakhs)

<i>Particulars</i>	<i>As at March 31, 2020</i>	<i>As at March 31, 2019</i>
Accrued Interest on Loans to Employees	7.74	9.44
Total	7.74	9.44

Note 6

Other Non-Current Assets

<i>Particulars</i>	<i>As at March 31, 2020</i>	<i>As at March 31, 2019</i>
Unsecured, considered Good		
Capital Advances	14.38	27.05
Others	15.54	46.37
Total	29.92	73.42

Note 7

Investments – Current

(Rs. in Lakhs)

<i>Particulars</i>	<i>As at March 31, 2020</i>	<i>As at March 31, 2019</i>
Quoted:		
Investment measured at Fair value through Profit & Loss:		
Investment in Various Open - Ended Debt Mutual Funds	6,688.69	18,382.76
Investment in Various Fixed Maturity Plans of Debt Mutual Funds	4,097.15	-
Total Quoted Investments	10,785.84	18,382.76
Total Unquoted Investments	-	-
Total Current Investments	10,785.84	18,382.76
Aggregate amount of Quoted Investments	10,785.84	18,382.76
Market Value of Quoted Investments	10,785.84	18,382.76
Aggregate amount of Unquoted Investments	-	-
Aggregate Investment Amount impairment in value of Investment	-	-

NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2020

Note 8

Trade Receivables

(Rs. in Lakhs)

<i>Particulars</i>	<i>As at March 31, 2020</i>	<i>As at March 31, 2019</i>
Unsecured		
Considered good	3,601.74	4,352.80
Significant increase in Credit Risk	1,001.54	226.48
	4,603.28	4,579.28
Less: Allowance for credit losses (Refer Note 48)	(1,001.54)	(226.48)
Total	3,601.74	4,352.80

Note 9

Cash and Cash Equivalents

(Rs. in Lakhs)

<i>Particulars</i>	<i>As at March 31, 2020</i>	<i>As at March 31, 2019</i>
Cash and cash equivalents		
Cash on hand	1.01	0.98
Balances with Banks		
On Current Account	106.10	1,021.49
Other Bank Balances		
Deposit Accounts (less than 3 months)	284.47	810.16
Prepaid Cards	1.12	-
Total	392.70	1,832.63

Note 10

Bank Balances other than Cash and Cash Equivalents

(Rs. in Lakhs)

<i>Particulars</i>	<i>As at March 31, 2020</i>	<i>As at March 31, 2019</i>
Unclaimed Dividend Account	29.84	22.60
Money Due for Refund of Share Application	-	12.62
Fixed Deposits	9,696.67	185.22
Total	9,726.51	220.44

NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2020

Note 11

Loans – Current

(Rs. in Lakhs)

<i>Particulars</i>	<i>As at March 31, 2020</i>	<i>As at March 31, 2019</i>
Unsecured and Considered Good		
Loan to Employees	38.48	42.16
Security Deposits	25.24	22.35
Total	63.72	64.51

Note 12

Other Current Financial Assets

(Rs. in Lakhs)

<i>Particulars</i>	<i>As at March 31, 2020</i>	<i>As at March 31, 2019</i>
Interest Accrued on Investments	322.71	104.79
Interest Accrued on Loans to Employees	2.81	4.24
Other receivables	30.62	60.87
Total	356.14	169.90

Note 13

Contract Assets

(Rs. in Lakhs)

<i>Particulars</i>	<i>As at March 31, 2020</i>	<i>As at March 31, 2019</i>
Unbilled Revenue	30.14	131.57
Less: Loss Allowance	-	(62.87)
Total	30.14	68.70

Note 14

Current Tax Assets (Net)

(Rs. in Lakhs)

<i>Particulars</i>	<i>As at March 31, 2020</i>	<i>As at March 31, 2019</i>
Advance payment of taxes (Net of Provision for tax - Rs. 48,015.43 Lakhs)	1,090.21	-
		-
Total	1,090.21	-

NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2020

Note 15

Other Current Assets

(Rs. in Lakhs)

<i>Particulars</i>	<i>As at March 31, 2020</i>	<i>As at March 31, 2019</i>
Prepaid Expenses	153.43	143.40
Other Advances	21.30	23.46
Other Receivables	47.89	79.42
Total	222.62	246.28

Note 16

Equity Share Capital

(Rs. in Lakhs)

<i>Particulars</i>	<i>As at March 31, 2020</i>		<i>As at March 31, 2019</i>	
	<i>Number</i>	<i>Amount</i>	<i>Number</i>	<i>Amount</i>
Authorised	3,00,00,000	3,000.00	3,00,00,000	3,000.00
Equity Shares of Rs.10/- each				
Issued, subscribed and fully paid up	2,94,61,214	2,946.12	2,94,61,214	2,946.12
Equity Shares of Rs.10/- each				
Total	2,94,61,214	2,946.12	2,94,61,214	2,946.12

16(a): List of shareholders holding more than 5% of Paid Up Equity Share Capital

<i>Particulars</i>	<i>As at March 31, 2020</i>		<i>As at March 31, 2019</i>	
	<i>Nos.</i>	<i>% Holding</i>	<i>Nos.</i>	<i>% Holding</i>
Life Insurance Corporation Of India and LIC P&GS Fund	29,02,136	9.85%	29,02,136	9.85%
CRISIL Limited	26,22,431	8.90%	26,22,431	8.90%
Aditya Birla Sun Life Trustee Private Limited A/C - Aditya Birla Sun Life Dividend Yield Fund	17,87,077	6.07%	-	-
Franklin Templeton Investment Funds and Franklin India Smaller Companies Fund	-	-	22,34,890	7.59%
Stichting Depository Apg Emerging Markets Equity P	-	-	20,14,700	6.84%

*Following companies are covered to calculate more than 5% shareholding.

<i>Particulars</i>	<i>As at March 31, 2020</i>		<i>As at March 31, 2019</i>	
	<i>Nos.</i>	<i>% Holding</i>	<i>Nos.</i>	<i>% Holding</i>
Franklin India Smaller Companies Fund	-	-	10,54,044	3.58%
Franklin Templeton Investment Funds	-	-	11,80,846	4.01%
Total	-	-	22,34,890	7.59%

NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2020

16(b): The reconciliation of the number of shares outstanding is set out below:

<i>Particulars</i>	<i>As at March 31, 2020</i>	<i>As at March 31, 2019</i>
	<i>Nos.</i>	<i>Nos.</i>
Equity Shares at the beginning of the year	2,94,61,214	2,94,61,214
Add: Shares issued under Employee Stock Options Scheme (ESOS)	-	-
Equity Shares at the end of the year	2,94,61,214	2,94,61,214

16(c): The Company does not have a Holding Company

16(d): Shares reserved for issue under options and contracts, including the terms and amounts:

For details of Shares reserved for issue under the Employee Stock Option Plan (ESOP) of the Company: Refer Note 38.

16(e): Terms/Right attached to Equity Shares:

The Company has only one class of equity shares having a par value of Rs. 10/- per share. Each holder of equity shares is entitled to one vote per share. The company declares and pays dividends in Indian Rupees. The dividend proposed by the Board of Directors is subject to approval of the shareholders at the ensuing Annual General Meeting.

In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

16(f): Aggregate number of bonus shares issued, share issued for consideration other than cash and shares bought back during the period of five years immediately preceding the reporting date.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

Note 17

Other Equity

(Rs. in Lakhs)

<i>Particulars</i>	<i>As at March 31, 2020</i>	<i>As at March 31, 2019</i>
Capital Redemption Reserve	22.50	22.50
Securities Premium Reserve	6,517.63	6,517.63
Employees Stock Options Outstanding Reserve	2,351.56	2,138.63
General Reserve	19,799.18	19,477.59
Retained Earnings	21,419.50	23,776.52
Other Comprehensive Income	101.61	86.89
Total Other Equity	50,211.98	52,019.76

The description of the nature and purpose of each reserve within equity is as follows:

A. Capital Redemption Reserve

Capital Redemption Reserve represents nominal value of shares credited at the time of buyback of shares.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2020

B. Securities Premium Reserve

“Securities Premium Reserve is credited when the shares are issued at premium. It will be utilized in accordance with the provision of the Companies Act, 2013 to issue bonus shares, to provide for premium on redemption of shares, equity related expenses like underwriting costs, etc.”

C. Employees Stock Options Outstanding Reserve

The Company has Share Options Scheme under which option to subscribe for the Company’s shares have been granted to selected employees. Refer Note 38 for further details of this plan.

D. General Reserve

In earlier, the Company had transferred a portion of the net profits of the Company before declaring dividends to General Reserve. Mandatory transfer to General Reserve is not required under the Act.

Note 18

Other Non-Current Financial Liabilities

(Rs. in Lakhs)

<i>Particulars</i>	<i>As at March 31, 2020</i>	<i>As at March 31, 2019</i>
Lease Liabilities (Refer Note 45)	648.90	-
Total	648.90	-

Note 19

Provisions

(Rs. in Lakhs)

<i>Particulars</i>	<i>As at March 31, 2020</i>	<i>As at March 31, 2019</i>
Provision for Gratuity - Non Current	109.51	40.00
Provision for Compensated Absence - Non Current	655.33	569.00
Total	764.84	609.00

Note 20

Deferred Tax Liabilities (Net)

(Rs. in Lakhs)

<i>Particulars</i>	<i>As at March 31, 2020</i>	<i>As at March 31, 2019</i>
Deferred Tax Liability	1,524.47	1,202.63
Depreciation on Fixed Assets	915.07	881.07
Fair Valuation of Investments	609.40	321.56
Deferred Tax Asset	915.50	464.20
Provisions	679.05	452.62
Others	236.45	11.58
Total	608.97	738.43

NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2020

Note 21

Other Current Financial Liabilities

(Rs. in Lakhs)

<i>Particulars</i>	<i>As at March 31, 2020</i>	<i>As at March 31, 2019</i>
Sundry Creditors for Expenses		
(a) Total outstanding dues of micro enterprises and small enterprises	6.05	33.26
(b) Total outstanding dues of creditors other than micro enterprises and small enterprises	62.49	64.32
Other Liabilities	6.41	-
Unclaimed Dividend	29.84	22.60
Money Due for Refund for Share Application		12.62
Provision for Salary, Performance Related Pay & Commission	691.79	740.21
Lease Liabilities. (Refer Note 45)	244.92	-
Total	1,041.50	873.01

Note 22

(a) Contract Liabilities

(Rs. in Lakhs)

<i>Particulars</i>	<i>As at March 31, 2020</i>	<i>As at March 31, 2019</i>
Unearned Revenue	772.86	938.09
Advance from customers	1,657.62	755.92
Total	2,430.48	1,694.01

(b) Revenue recognized that was included in contract liability balance at the beginning of the period:

(Rs. in Lakhs)

<i>Particulars</i>	<i>As at March 31, 2020</i>	<i>As at March 31, 2019</i>
Rating Income	1,421.52	1,775.68
Total	1,421.52	1,775.68

Note-23

Other Current Liabilities

(Rs. in Lakhs)

<i>Particulars</i>	<i>As at March 31, 2020</i>	<i>As at March 31, 2019</i>
Statutory Dues	820.20	1,068.46
Provision for expenses	409.01	83.13
Total	1,229.21	1,151.59

NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2020

Note 24

Provisions - Current

(Rs. in Lakhs)

<i>Particulars</i>	<i>As at March 31, 2020</i>	<i>As at March 31, 2019</i>
Provision for Employee Benefits		
Provision for Compensated Absence	109.60	99.62
Provision for Gratuity	207.51	195.41
Provision for Leave Travel Allowance	114.57	101.88
Total	431.68	396.91

Note 25

Current Tax Liability – Net

(Rs. in Lakhs)

<i>Particulars</i>	<i>As at March 31, 2020</i>	<i>As at March 31, 2019</i>
Provision for Income Tax (net of advance tax and TDS of Rs.) (PY - Net of Advance Tax & TDS FY. 2018-19 Rs.56,161.56 Lakhs)	-	173.85
Total	-	173.85

Note 26

(a) Revenue From Operations

(Rs. in Lakhs)

<i>Particulars</i>	<i>Year ended March 31, 2020</i>	<i>Year ended March 31, 2019</i>
Sale of Services		
Rating Income (including Surveillance)	21,852.09	29,477.88
Sale of Publications / Information Services	58.14	257.86
Total	21,910.23	29,735.74

Note 26

(b) Revenue recognized from past performance obligations:

(Rs. in Lakhs)

<i>Particulars</i>	<i>Year ended March 31, 2020</i>	<i>Year ended March 31, 2019</i>
Rating Income	257.14	304.92
Total	257.14	304.92

NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2020

Note 27

Other Income

(Rs. in Lakhs)

<i>Particulars</i>	<i>Year ended March 31, 2020</i>	<i>Year ended March 31, 2019</i>
Interest Income	579.42	334.50
Dividend Income	658.56	1,042.66
Net gain on sale of investments (net)	-	60.62
Gain on Fair Valuation of Investments through Profit and Loss	1,819.47	1,427.69
Miscellaneous Income	76.15	117.93
Total	3,133.60	2,983.40

Note 28

Employee Benefits Expense

(Rs. in Lakhs)

<i>Particulars</i>	<i>Year ended March 31, 2020</i>	<i>Year ended March 31, 2019</i>
Salaries and Other Allowances	8,263.03	7,325.58
Contribution to Provident, Gratuity & Other Funds (Refer Note 33)	597.24	486.10
Expense on Employee Stock Option Scheme (Refer Note 38)	534.51	1,273.73
Staff Welfare Expenses	274.76	268.62
Total	9,669.54	9,354.03

Note 29

Finance Cost

(Rs. in Lakhs)

<i>Particulars</i>	<i>As at March 31, 2020</i>	<i>As at March 31, 2019</i>
Finance cost on Lease Liabilities (Refer Note 45)	73.87	-
Total Finance Cost	73.87	-

Note 30

Other Expenses

(Rs. in Lakhs)

<i>Particulars</i>	<i>As at March 31, 2020</i>	<i>As at March 31, 2019</i>
Electricity Charges	128.07	118.66
Postage & Telephone Charges	106.10	105.35
Rent	1.34	297.54
Travelling & Conveyance Expenses	210.19	228.09
Directors' Sitting Fees	123.50	94.50
Insurance Premium	34.99	16.67
Legal Expenses	153.04	28.66
Professional Fees	708.62	255.76

NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2020

Note 30

Other Expenses

(Rs. in Lakhs)

<i>Particulars</i>	<i>As at March 31, 2020</i>	<i>As at March 31, 2019</i>
Business Development Associate Fees	543.69	725.85
Rates & Taxes	247.66	44.85
Repairs & Maintenance		
- Buildings	97.63	94.84
- Others	204.23	162.60
Advertisement and Sponsorship Expenses	1.37	51.27
Security, Housekeeping & Office Supplies	222.77	182.17
Membership & Subscription	87.93	91.68
Provision for Bad and Doubtful Debts	712.19	124.75
Bad Debts written off	237.38	64.21
Auditors Remuneration		
- Audit Fees (including Limited Review Fees)	24.30	19.50
- Tax Audit Fees	1.20	1.00
- Other Services	0.95	3.45
- Reimbursement to Auditors	0.65	0.90
Corporate Social Responsibility (Refer Note 46)	526.82	383.65
Miscellaneous Expenses	210.36	158.28
Total	4,584.98	3,254.23

Note 31: Contingent Liabilities (Ind AS 37)

A. Claims against the Company not acknowledged as debts (to the extent not provided for):

(Rs. in Lakhs)

<i>Particulars</i>	<i>As at March 31, 2020</i>	<i>As at March 31, 2019</i>
Contingent Liability on account of Income Tax	72.51	62.26

B. Pending outcome of adjudication proceedings initiated by Regulator / Government agencies pertaining to certain Credit ratings assigned by the Company to its clients, which is being responded by the Company, the Company has made provision for penalty of Rs.100 Lakhs in one of the case on prudent basis.

C. The Hon'ble Supreme Court of India ("SC") by their order dated February 28, 2019, in the case of Surya Roshani Limited & others v/s EPFO, set out the principles based on which allowances paid to the employees should be identified for inclusion in basic wages for the purposes of computation of Provident Fund contribution. Subsequently, a review petition against this decision has been filed and is pending before the SC for disposal.

Pending decision on the subject review petition and directions from the EPFO, the impact, if any, is not ascertainable and consequently no effect has been given in the accounts.

Note 32: Capital and Other Commitments

The amounts pending on account of contracts remaining to be executed on capital account, not provided for is 15.32 Lacs (March 31, 2019 – 17.45 Lakhs)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2020

The Company has a process whereby periodically all long term contracts are assessed for material foreseeable losses. At the year end, the Company has reviewed and ensured that adequate provision as required under any law/accounting standards for material foreseeable losses on such long term contracts has been made in the books of account.

Note 33: Employee Benefits (Ind AS 19)

A. Defined Benefit Plans:

Gratuity:

The gratuity payable to employees is based on the employee's service and last drawn salary at the time of leaving the services of the Company and is in accordance with the rules of the Company for payment of gratuity. The Company accounts for the liability based on actuarial valuation. The Company has created a trust for future payment of gratuities which is funded through gratuity-cum-life insurance scheme of LIC of India.

Inherent Risk on above:

The plan is defined in nature which is sponsored by the Company and hence it underwrites all the risks pertaining to the plan. In particular, this exposes the Company to actuarial risk such as adverse salary growth, change in demographic experience, inadequate return on underlying plan assets. This may result in an increase in cost of providing these benefits to the employees in future. Since the benefits are lump sum in nature, the plan is not subject to any longevity risk.

(Rs. in Lakhs)

Particulars	Gratuity (Funded)	
	As at March 31, 2020	As at March 31, 2019
(i) Change in Present value of Obligations:		
Opening Defined Benefit Obligation	890.80	615.81
Current Service Cost	164.15	114.67
Interest Cost	69.39	48.46
Actuarial (Gain)/Loss on Obligations Due to change in Financial Assumptions	90.44	71.30
Actuarial (Gains)/Losses on Obligations - Due to Change in Demographic Assumptions	27.10	69.59
Actuarial (Gain)/Loss on Obligations Due to Experience	(17.48)	44.24
Benefits Paid	(154.07)	(73.28)
Closing Defined Benefit Obligations	1,070.33	890.81
(ii) Change in Fair Value of Plan Assets:		
Opening Fair Value of the Plan Assets	655.38	356.20
Interest income	51.05	28.03
Expected Return on Plan Assets	(8.54)	3.49
Contribution by the Employer	209.47	340.94
Benefits Paid	(154.07)	(73.28)
Closing Fair Value of the Plan Assets	753.29	655.38

NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2020

(Rs. in Lakhs)

Particulars	Gratuity (Funded)	
	As at March 31, 2020	As at March 31, 2019
(iii) Net Asset / (Liability) recognized in the Balance Sheet		
Present value of the funded defined benefit obligation at the end of the period	(1,070.32)	(890.80)
Fair Value of Plan Assets	753.29	655.38
Net Asset / (Liability)	(317.03)	(235.42)
(iv) Expenses recognized in the Statement of Profit & Loss		
Current Service Cost	164.15	114.67
Interest on Defined Benefit Obligations	18.34	20.43
Past Service Cost	-	-
Amount recognized in Statement of Profit and Loss	182.49	135.10
(v) Re-measurements recognized in Other Comprehensive Income (OCI):		
Actuarial (Gains)/Losses on Obligation For the Period	100.06	185.13
Expected Return on Plan Assets	8.54	(3.49)
Amount recognized in Other Comprehensive Income(OCI)	108.60	181.64
(vi) Maturity Profile of Defined Benefit Obligation:		
Within the next 12 months	61.41	54.25
Between 1 and 5 years	294.94	244.72
Between 5 and 10 years	449.67	320.62
10 Years and above	1,677.48	1,879.88
(vii) Sensitivity analysis for significant assumptions:*		
Increase present value of defined benefits obligation at the end of the year	1,070.32	890.80
1% increase in discount rate	(94.83)	(82.87)
1% decrease in discount rate	111.72	98.00
1% increase in salary escalation rate	73.21	66.89
1% decrease in salary escalation rate	(68.91)	(64.97)
1% increase in employee turnover rate	17.41	24.13
1% decrease in employee turnover rate	(19.71)	(27.61)
(viii) The major categories of plan assets as a percentage of total plan:		
Insurer Managed Funds	100%	100%

NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2020

(Rs. in Lakhs)

Particulars	Gratuity (Funded)	
	As at March 31, 2020	As at March 31, 2019
(ix) Actuarial Assumptions:		
Discount Rate (p.a.)	6.59%	7.79%
Expected Return on Plan Assets (p.a.)	6.59%	7.79%
Turnover Rate	5.00%	4.00%
Mortality tables	Indian Assured Lives Mortality (2006-08)	Indian Assured Lives Mortality (2006-08)
Salary Escalation Rate (p.a.)	6.00%	6.00%
Retirement age	60 years	60 years
(x) Weighted Average duration of Defined benefit obligation	11	14

* The sensitivity analysis has been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant. The present value of the projected benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same method as applied in calculating the projected benefit obligation as recognized in the balance sheet. There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

(xi) Basis used to determine Expected Rate of Return on Plan Assets:

Expected rate of return on Plan Assets is based on expectation of the average long term rate of return expected on investments of the fund during the estimated term of the obligations.

(xii) Salary Escalation Rate:

Salary escalation rates are determined taking into account seniority, promotion, inflation and other relevant factors.

(xiii) Asset Liability Matching (ALM) strategy:

The plan faces the ALM risk as to the matching cash flow. Since the plan is invested in lines of Rule 101 of Income Tax Rules, 1962, this generally reduces ALM risk.

(xiv) The Company's expected contribution during next year is Rs.207.50 Lakhs.

B. Compensated Absences:

"The compensated absences cover the Company's liability for earned leave. Long term compensated absences are determined on the basis of actuarial valuation made at the end of each financial year using the projected unit credit method. Short term compensated absences are provided for based on estimates.

Amount recognized as an expense in respect of Compensated Absences is Rs. 581.38 Lakhs (March 31, 2019 - Rs. 539.66 Lakhs).

C. Defined Contribution Plans:

Amount recognized as an expense and included in Note 28 under the head "Contribution to Provident and other Funds" of Statement of Profit and Loss is Rs.298.25 Lakhs (March 31, 2019- Rs.250.09 Lakhs)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2020

D. Superannuation Benefits:

Superannuation Benefits is contributed by the Company to Life Insurance Corporation of India (LIC) @ 10% of basic salary with respect to certain employees.

Contribution to Superannuation Fund contribution charged to Statement of Profit & Loss in Note 28 under the head "Contribution to Provident and other Funds" is Rs. 47.00 Lacs (Previous Year Rs. 48.34 Lakhs).

Note 34: Segment Reporting (Ind AS 108):

The Company is exclusively engaged in the business of ratings. As per Ind AS 108 "Operating Segments", specified under Section 133 of the Companies Act, 2013, there are no reportable operating or geographical segments applicable to the Company.

Note 35: Related Party Disclosures pursuant to Ind AS 24

A. List of Related Parties where control exists:

Name of Related Parties	Nature of Relationship	% Shareholding & Voting Power	
		As at March 31, 2020	As at March 31, 2019
CARE Risk Solutions Private Limited	Wholly Owned Subsidiary	100.00%	100.00%
CARE Advisory Research and Training Limited	Wholly Owned Subsidiary	100.00%	100.00%
CARE Ratings (Africa) Private Limited	Subsidiary	78.00%	78.00%
CARE Ratings (Nepal) Limited	Subsidiary	51.00%	51.00%

B. Other Related Parties with whom there were transactions during the year:

Name of Related Parties	Nature of Relationship
Key Management Personnel:	
Mr. S.B Mainak (Upto February 11, 2020)	Chairman
Ms. Sadhana Dhamane (upto August 06, 2019)	Non-executive Director
Mr. V Chandrasekaran	Non-Executive Director
Mr. Adesh Kumar Gupta	Independent Director
Ms. Sonal Gunvant Desai	Independent Director
Mr. Najib Shah (w.e.f. July 17, 2019)	Independent Director
Dr. M Mathisekaran (w.e.f. August 19, 2019)	Independent Director
Mr. Ananth Narayan Gopalakrishnan (w.e.f. August 19, 2019)	Independent Director
Mr. Mehul Pandya	Executive Director
Mr. Rajesh Mokashi (upto July 17, 2019)	Managing Director & CEO
Mr. T.N.Arun Kumar (Upto July 17, 2019)	Executive Director
Mr. T.N.Arun Kumar (w.e.f. July 17, 2019)	Interim CEO
Mr. NitinKumar Agarwal (Upto July 18, 2019)	Chief Financial Officer
Mr. Bharat Assudomal Adnani (w.e.f. August 19, 2019)	Chief Financial Officer
Mr. Navin Kumar Jain	Executive Director & Company Secretary

NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2020

C. Following transactions were carried out with the related parties in the ordinary course of business: (Rs. in Lakhs)

Name of the Related Party	Relationship	Nature of Transactions	As at March 31, 2020	As at March 31, 2019
CARE Risk Solutions Private Limited	Wholly Owned Subsidiary	Advance given	9.75	27.05
		Loan given	300.00	100.00
		Interest on Loan	25.44	7.48
		Reimbursement of Expenses	3.71	1.57
		Professional fees	66.25	22.16
		Software development	61.91	56.20
		Dividend received	0.50	0.52
CARE Ratings (Africa) Private Limited	Subsidiary	Royalty income	11.19	6.84
CARE Advisory Research and Training Limited	Wholly Owned Subsidiary	Training Fees paid	2.38	2.88
		Business Support Services	29.74	23.88
		Reimbursement of Expenses	9.06	0.28
		Professional Fees	9.38	-
CARE Ratings Nepal Limited	Subsidiary	Dividend Income	33.55	-
		Royalty income	16.02	7.68

D. Outstanding balances: (Rs. in Lakhs)

Name of the Related Party	Relationship	Nature of Transactions	As at March 31, 2020	As at March 31, 2019
CARE Risk Solutions Private Limited	Wholly Owned Subsidiary	Receivable	23.75	2.18
		Investments	1,728.78	1,671.28
		Loan Advances	400.00	100.00
		Consultancy Fees Payable	6.30	7.24
CARE Ratings (Africa) Private Limited	Subsidiary	Investments	205.15	205.15
		Royalty Receivable	11.19	6.84
CARE Advisory Research and Training Limited	Wholly Owned Subsidiary	Investments	450.00	450.00
		Receivable/(Payable) (net)	18.83	-0.50
CARE Ratings Nepal Limited	Subsidiary	Investments	159.91	159.91
		Receivable	19.42	18.26

No amount in respect of the related parties have been written off/back are provided for during the year. Related party relationship has been identified by the management and relied upon by the auditors.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2020

E. Compensation of Key Management Personnel of the Company:

(Rs. in Lakhs)

<i>Nature of Transaction/Relationship</i>	<i>Year ended March 31, 2020</i>	<i>Year ended March 31, 2019</i>
Short Term Employee Benefits	400.85	544.58
Other Long Terms Benefits	10.13	20.73
Share Based Payments *	104.80	199.93
Directors' Sitting Fees	123.50	94.50
Total Compensation	639.28	859.74

Remuneration does not include provision made for gratuity and compensated absence since the same is provided for the Company as a whole based on actuarial valuation.

*Share based payments refer to amounts charged to the statement of Profit & Loss account, being charge on ESOP granted to Key Management Personnel as per ESOS 2017 scheme based on Fair Value method.

Note 36: Earnings per Share (EPS) (Ind AS 33):

(Rs. in Lakhs)

<i>Particulars</i>	<i>Year Ended March 31, 2020</i>	<i>Year Ended March 31, 2019</i>
A) Basic EPS		
(i) Net Profit attributable to Equity Shareholders (Rs. in Lacs)	8,050.18	13,498.68
(ii) Weighted average number of Equity shares outstanding(Nos.)	294.61	294.61
Basic Earnings Per Share (i)/(ii)	27.32	45.82
B) Diluted EPS		
(i) Weighted average number of Equity shares outstanding(Nos.)	2,94,61,214	2,94,61,214
(ii) Add: Potential Equity Shares on exercise of option (Nos.)	-	-
(iii) Weighted average number of Equity Shares Outstanding for calculation of Dilutive EPS	2,94,61,214	2,94,61,214
Diluted EPS {(A)(i)/(B)(iii)}	27.32	45.82

Note 37: Income Taxes (Ind AS 12):

A. Income tax recognised in Statement of Profit and Loss:

(Rs. in Lakhs)

<i>Particulars</i>	<i>As at March 31, 2020</i>	<i>As at March 31, 2019</i>
Current Tax	2,100.00	5,989.64
Deferred Tax	(105.83)	316.16
Adjustment of Tax of Earlier Years	(19.66)	-
Total	1974.51	6305.80

NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2020

B. Reconciliation of Effective Tax Rate:

<i>Particulars</i>	<i>As at March 31, 2020</i>	<i>As at March 31, 2019</i>
Applicable Tax Rate	25.17%	34.94%
Tax Effect of Tax Exempt Income	(2.39%)	(2.29%)
Tax Effect of Non Deductible Expenses	2.92%	5.06%
Tax Effect of Allowances for Tax Purpose	(6.00%)	(5.87%)
Effective Tax Rate	19.70%	31.84%

The Government of India, on September 20, 2019, vide the Taxation Laws (Amendment) Ordinance 2019, inserted a new Section 115BAA in the Income Tax Act, 1961, which provides an option to the Company for paying Income Tax at reduced rates as per the provisions/conditions defined in the said section. The Company has opted to pay the tax under section 115BAA of the Income Tax Act, 1961. Accordingly, (a) the provision for current and deferred tax has been determined at the rate of 25.17%, (b) the deferred tax assets and deferred tax liabilities as on April 1, 2019 have been restated at the rate of 25.17%.

Note 38: Share Based Payments (Ind AS 102):

The Company has granted 537908 options to its eligible employees in as per the ESOS Schemes, details are as under:

A. Employees Stock Option Scheme:

<i>Particulars</i>	<i>ESOS 2017</i>
Nos. of Options	5,37,908
Method of Accounting	Fair Value method
Vesting Plan	2 years from the date of grant i.e. September 01,2019
Exercise Period	2 years after the vesting period i.e. September 01,2021
Grant Date	September 01,2017
Exercise Price (Per Share)	Rs.1,139/- per share
Fair Value on the date of Grant of Option (Per Share)	Rs.1,506.65/- per share
Method of Settlement	Equity

B. Movement of Options granted:

<i>Particulars</i>	<i>As at March 31, 2020</i>	<i>As at March 31, 2019</i>
	<i>ESOS (2017)</i>	<i>ESOS (2017)</i>
Options Outstanding at beginning of the year	4,77,458	5,24,108
Granted during the year	-	-
Exercised during the year	-	-
Lapsed during the year	61,838	46,650
Options Outstanding at the end of the year	4,15,620	4,77,458
Options unvested at the end of year	-	-
Options exercisable at the end of the year	4,15,620	4,77,458
Weighted Average exercise price	1,139	1,139

- i. ESOS 2017: The weighted average remaining contractual life for the stock options outstanding as at March 31, 2020 is Nil years (Previous Year: 0.42 years).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2020

The ESOS compensation cost is amortized on a straight line basis over the total vesting period of the options. Accordingly for ESOS 2017, an amount of Rs.534.51 Lacs (Previous Year Rs.1,273.73 Lacs) has been charged to the current year Statement of Profit and Loss.

C. Fair Valuation:

The fair value of the options used to compute proforma net profit and earnings per share have been done by an independent valuer on the date of grant using Black - Scholes Formula. The key assumptions and the Fair Value are as under:

Particular	ESOS 2017
Risk Free Interest Rate (%)	6.39%
Option Life (Years)	3 years
Expected Volatility	31.80%
Expected Dividend Yield (%)	1.86%
Weighted Average Fair Value per Option	Rs.565.79

D. Details of the liabilities arising from the Share based payments were as follows: (Rs. in Lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
Total Carrying Amount	2,351.56	2,138.63

Note 39: Financial Instruments: Disclosure (Ind AS 107):

A. Classification of Financial Assets and Liabilities (Ind AS 107): (Rs. in Lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
Financial assets at Amortized cost:		
Investment (Non-Current)	3,676.71	3,693.81
Loans (Non-Current)	554.94	268.30
Loans (Current)	63.72	64.51
Trade Receivables	3,601.74	4,352.80
Cash and Cash Equivalents	392.70	1,832.63
Other Bank Balances	9,726.51	220.44
Other Non-Current Financial Assets	7.74	9.44
Other Current Financial Assets	356.14	169.90
Contract Assets	30.14	68.70
Financial assets at Fair Value through P&L:		
Investment (Non-Current)	18,224.09	20,501.10
Investment (Current)	10,785.84	18,382.76
Financial assets at Fair Value through OCI:		
Investment (Non-Current)	1,380.46	1,365.73
Total	48,800.73	50930.12
Financial liabilities at Amortized cost:		
Other Current Financial Liability	1,041.50	873.01
Other Non-Current Financial Liability	648.90	-
Total	1690.40	873.01

NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2020

B. Investments in equity instruments designated at Fair Value through Other Comprehensive Income

As on March 31, 2019 and March 31, 2020, The Company has investments in ARC Ratings holding Limited of 20 Ordinary Shares of USD 22,600 each and 20,00,000 ordinary shares of RM 1 each in Malaysian Rating Corporation Berhad. The Company has opted to designate these investments at Fair Value through Other Comprehensive Income since these investments are not held for trading.

The fair value of each of these investments are as below:

(Rs. in Lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
Financial assets at Fair Value through OCI:		
- Malaysian Rating Corporation Berhad	1,093.19	1,123.63
- ARC Ratings Holdings Limited	287.27	242.10
Total	1,380.46	1,365.73

The Company has received Rs.32.92 Lacs (Previous Year Rs.42.70 Lacs) as Dividend from Malaysian Rating Corporation Berhad and has recognized in the Statement of Profit & Loss under Note 27 - Other Income. There has been no transfer in investment during any period.

Note 40: Fair Value measurement (Ind AS 113):

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The Company has established the following fair value hierarchy that categorizes the values into 3 levels. The inputs to valuation techniques used to measure fair value of financial instruments are:

Level 1:

This hierarchy uses quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2:

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on Company specific estimates. The investment in mutual funds are valued using the closing Net Asset Value based on the mutual fund statements received by the Company. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2

Level 3:

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. The fair valuation of investment in Equity Shares of Malaysian Rating Corporation Berhad and ARC Ratings Holdings Limited and investment in Preference share of CARE Risk Solutions Private Limited is classified under Level 3. The details are given in the table below:

(Rs. in Lakhs)

Particulars	Level 1	Level 2	Level 3
As at March 31, 2020			
Investments measured at:			
Fair Value through OCI	-	-	1,380.46
Fair Value through Profit and Loss	6,688.69	21,650.30	670.94
Amortised cost	3,676.72	-	-

NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2020

(Rs. in Lakhs)

<i>Particulars</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
As at March 31, 2019			
Investments measured at:			
Fair Value through OC	-	-	1,365.73
Fair Value through Profit and Loss	18,382.76	19,887.66	613.44
Amortised cost	3,693.81	-	-

The Company has utilized the expertise of the in-house team to value the investments in Malaysian Rating Corporation Berhad. For investment in Preference Shares of CARE Risk Solutions Private Limited, the Company has availed services of in-house valuation team and registered external valuer. The auditors have relied upon the reports provided by the said valuers.

The following methods and assumptions were used to estimate the fair values:

- The fair values of the quoted investments/units of mutual fund schemes are based on market price/net asset value at the reporting date.
- For Malaysian Rating Corporation Berhad, valuation is based on average of book value method and price to earnings method.
- The Company had adopted discounted cash flow Method for Valuation of Investments in ARC Ratings Holdings Ltd.
- For Investment in Preference share investment in CARE Risk Solutions Private Limited, valuation is done based on Black & Scholes option pricing Model and discounted cash flow method. Market Coupon Rate and Volatility are the significant unobservable inputs. Discount rate used are: March 31, 2020: 7.80% and March 31, 2019: 8.40% 0.5% decrease in discount rate will result in increase in fair value by Rs..6.67 Lacs. Similarly, 0.5% increase in discount rate will result in decrease in fair value by Rs.6.61 Lacs.
- The fair value of the remaining financial instruments is determined using discounted cash flow analysis. The discount rates used is based on management estimates.

Note 41: Financial Risk Management Objectives and Policies (Ind AS 107):

The Company is a Debt Free Company. The principal financial liabilities of the Company comprise of Other liabilities and Provisions which arise on account of normal course of business. The Company's principal financial assets include Investments, Trade Receivables, Cash and Cash Equivalents and Other Bank Balances.

The Company is exposed to Market Risk, Credit Risk, and Liquidity Risk. The Company's senior management oversees the management of these risks. The Company's senior management ensures that the Company's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Company's policies and risk objectives.

The Management of the Company updates its Board of Directors on periodic basis about various risks to the business and status of various activities planned to mitigate the risk.

The Company has exposure to the following risks arising from financial instruments:

A. Market Risk

Market risk is the risk that the fair value or future cash flows of such financial instrument will be impacted because of various financial and non-financial market factors. The financial instruments affected by market risk include the investment in Mutual Funds and investment in Equity Shares of companies incorporated and operating outside India.

There is no Interest rate risk since the Company does not hold any financial instrument whose fair value or future cash flows will fluctuate because of changes in market interest rates.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2020

The following table shows foreign currency exposures in USD, MRF and MUR on financial instruments at the end of the reporting period. The exposure to foreign currency for all other currencies are not material. The Company does not hedge its foreign currency exposure.

(Rs. in Lakhs)

Particulars	Currency	As at March 31, 2020		As at March 31, 2019	
		Amount in FC	Amount in INR	Amount in FC	Amount in INR
Other Receivable	MUR	6.06	11.19	3.56	6.68
Trade Receivables	USD	0.15	11.45	0.03	2.00
Bank Balances					
SBI Maldives – MRF Account	MRF	0.47	1.92	0.47	1.92
SBI Maldives - USD Account	USD	0.01	0.41	0.01	0.41

Foreign Currency Sensitivity on unhedged exposure:

1% increase in foreign exchange rate will have the following impact on profit before tax:

(Rs. in Lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
MUR	0.11	0.07
USD	5.04	5.34
MRF	0.02	0.02

Note: If the rate is decreased by 100 bps profit will increase by an equal amount.

B. Credit Risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating (primarily Trade Receivables), investing and financing activities including Mutual Fund Investments, Investment in Debt Securities, Bank Balance, Deposits with Bank, Security Deposits, Loans to Employees and other financial instruments.

The Company measures and manages its Credit Risk by diversification of its surplus funds into various mutual fund schemes based on its investment policy.

Total Trade receivable & Contract assets as on March 31, 2020 is Rs. 3,631.87 Lacs (March 31, 2019 - Rs. 4,214.92 Lacs).

The Company does not have higher concentration of credit risks to a single customer.

As per simplified approach, the Company makes provision of expected credit losses on trade receivables using a provision matrix to mitigate the risk of default payments and makes appropriate provision at each reporting date wherever outstanding is for longer period and involves higher risk.

As per the provision matrix receivables are classified into different bucket based on the overdue period, buckets range from 12 months - 18 months, 18 months - 24 months and more than 24 months. The norms of provisioning on the same range are from 50% - 100% (which was 25% - 100% in previous year). The management, on a case to case basis may decide to provide or write off at a higher rate with reasons whenever felt necessary.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2020

(Rs. in Lakhs)

<i>Particulars</i>	<i>As at March 31, 2020</i>	<i>As at March 31, 2019</i>
Opening Provision	289.35	164.60
Add: Provided (utilised) during the Year (Refer Note 48)	712.19	124.75
Closing Provision	1,001.54	289.35

C. Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The cash flows and liquidity of Company is monitored under the control of the management. The objective is to ensure that Company's surplus fund are not kept idle and invested in the financial instruments only after adequate review of such instrument and approval of the management.

The table below summarizes the maturity profile of the Company's financial liabilities & investments based on contractual undiscounted payments.

(Rs. in Lakhs)

<i>As at March 31, 2020</i>	<i>Less than 1 Year</i>	<i>1 to 5 Years</i>	<i>More than 5 Years</i>	<i>Total</i>
Other Financial Liabilities	1,041.50	648.90	-	1,690.40
Total	1,041.50	648.90	-	1,690.40
	-	-	-	-
Investments in:				
Mutual Funds	10,785.84	17,553.15	-	28,338.99
Tax Free Bonds	-	1,815.33	1,861.38	3,676.71
Preference shares of Subsidiaries	-	670.94	-	670.94
Other Companies	-	1,380.46	-	1,380.46
Non-current Loans	-	554.94	-	554.94
Other Non-current Financial Assets	-	7.74	-	7.74
Trade Receivables	3,601.74	-	-	3,601.74
Cash and Cash Equivalents	392.70	-	-	392.70
Bank Balances other than Cash and Cash Equivalents	9,724.04	2.47	-	9,726.51
Current Loans	63.72	-	-	63.72
Other Financial Assets	356.14	-	-	356.14
Contract Assets	30.14	-	-	30.14
Total	24,954.32	21,985.03	1,861.38	48,800.73

NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2020

(Rs. in Lakhs)

<i>As at March 31, 2019</i>	<i>Less than 1 Year</i>	<i>1 to 5 Years</i>	<i>More than 5 Years</i>	<i>Total</i>
Other Financial Liabilities	873.01	-	-	873.01
Total	873.01	-	-	873.01
Investments in:				
Mutual Funds	18,382.76	19,887.66	-	38,270.42
Tax Free Bonds	-	1,823.52	1,870.29	3,693.81
Preference shares of Subsidiaries	-	613.44	-	613.44
Other Companies	-	1,365.73	-	1,365.73
Non-current Loans	-	268.30	-	268.30
Other Non-current Financial Assets	-	9.44	-	9.44
Trade Receivables	4,352.80	-	-	4,352.80
Cash and Cash Equivalents	1,832.63	-	-	1,832.63
Bank Balances other than Cash and Cash Equivalents	220.44	-	-	220.44
Current Loans	64.51	-	-	64.51
Other Financial Assets	169.90	-	-	169.90
Contract Assets	68.70	-	-	68.70
Total	25,091.74	23,968.09	1,870.29	50,930.12

Note 42: Distribution made and proposed (Ind AS 1):

(Rs. in Lakhs)

<i>Particulars</i>	<i>Year Ended March 31, 2020</i>	<i>Year Ended March 31, 2019</i>
Cash dividends on equity shares declared and paid:		
Final dividend for the year ended on 31st March, 2019:Rs. 12/- per share & Interim Dividend for the period ended till March 31, 2020 Rs. 17/- per share (March 31, 2019: Rs.37 per share)	8,543.75	10,900.65
DDT on final dividend	1,756.19	2,240.66
Total Dividend paid	10,299.94	13,141.31
Proposed dividends on Equity shares:	-	-
Final dividend for the year ended on March 31, 2020: Rs.2.50/- Per share, (March 31, 2019: Rs.12/-per share)	736.53	3,535.35
DDT on proposed dividend	-	726.70
Total dividend proposed	736.53	4262.05

Note 43: Capital Management (Ind AS 1):

The Company is cash surplus and has no capital other than Equity. The Company is not exposed to any regulatory imposed capital requirements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2020

The cash surplus are currently invested in income generating Mutual funds units, Fixed Deposits and Government Securities which in line with its Investment Policy. Safety of Capital is of prime importance to ensure availability of capital for operations. Investment objective is to provide safety and adequate return on surplus funds.

The Company does not have any borrowings.

Note 44: Micro, Small and Medium Enterprises

Under the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED) which came into force from October 2, 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises.

(Rs. in Lakhs)

<i>Particulars</i>	<i>As at March 31, 2020</i>	<i>As at March 31, 2019</i>
Principal amount and interest due thereon remaining unpaid to any supplier as at the year end	6.05	33.26
Amount of interest paid by the Company in terms of section 16 of the Micro, Small and Medium Enterprises Development Act, 2006 ('MSMED Act'), along with the amount of the payment made to the supplier beyond the appointed day during the accounting year	-	-
Amount of interest accrued and remaining unpaid at the end of the accounting year	0.00	
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the due date during the year) but without adding the interest specified under this Act.	0.00	-

This information has been determined to the extent such parties have been identified on the basis of information available with the Company and the same has been relied upon by the auditors.

Note 45: Leases

Effective April 1, 2019, the Group adopted IND AS 116 "Leases" and applied the standard to all lease contracts existing on April 1, 2019 using the modified retrospective method and has taken the cumulative adjustment to retained earnings, on the date of initial application. Consequently, the group recorded the lease liability at the present value of the lease payments discounted at the incremental borrowing rate and the right of use asset at its carrying amount as if the standard had been applied since the commencement date of the lease, but discounted at the lessee's incremental borrowing rate at the date of initial application. Comparatives as at and for the year ended March 31, 2019 have not been retrospectively adjusted and therefore will continue to be reported under the accounting policies included as part of our Annual Report for year ended March 31, 2019.

On transition, the adoption of the new standard resulted in recognition of 'Right of Use' asset of Rs.1,099.58 Lacs and a lease liability of Rs.1,121.87 Lacs. The cumulative effect of applying the standard, amounting to Rs.22.29 Lacs was debited to retained earnings, net of taxes. The effect of this adoption is insignificant on the operating profit, net profit for the period and earnings per share. Ind AS 116 will result in an increase in cash inflows from operating activities and an increase in cash outflows from financing activities on account of lease payments.

The following is the summary of practical expedients elected on initial application:

1. Applied a single discount rate to a portfolio of leases of similar assets in similar economic environment with a similar end date.
2. Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term on the date of initial application.
3. Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2020

4. Applied the practical expedient to grandfather the assessment of which transactions are leases. Accordingly, for all contracts as on April 1, 2019, Ind AS 116 is applied only to contracts that were previously identified as leases under Ind AS 17.

The opportunity cost of investment rate applied to lease liabilities as at April 1, 2019 is 7.25% for a period varying from 1 to 5 years.

Following are the changes in the carrying value of right of use assets for the year ended March 31, 2020:

<i>Particulars</i>	<i>(Rs. in Lakhs)</i>
Balance as at 1st April, 2019	1,099.58
	-
Prepaid Rent Expense	42.26
Additions	-
Deletions	-
Depreciation	279.14
	-
Balance as at 31st March, 2020	862.70

Amounts recognised in profit and loss for the year ended March 31, 2020:

<i>Particulars</i>	<i>(Rs. in Lakhs)</i>
Depreciation expense on right-of-use assets	279.14
Interest expense on lease liabilities	73.87
Expense relating to short-term leases	1.34
Total	354.35

The following is the break-up of current and non-current lease liabilities as at March 31, 2020:

<i>Particulars</i>	<i>(Rs. in Lakhs)</i>
Current Lease Liabilities	244.92
Non-Current Lease Liabilities	648.90
Total	893.82

The following is the movement in lease liabilities during the year ended March 31, 2020:

<i>Particulars</i>	<i>(Rs. in Lakhs)</i>
Balance as at 1st April, 2019	1,121.87
Additions	-
Deletions	-
Finance Cost accrued during the period	73.87
Payment of Lease Liabilities	301.92
Balance as at 31st March, 2020	893.82

NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2020

The table below provides details regarding the contractual maturities of lease liabilities on an undiscounted basis:

(Rs. in Lakhs)

<i>Particulars</i>	<i>March 31, 2020</i>	<i>March 31, 2019</i>
Less than one year	244.92	294.22
One to Five years	648.90	988.10
More than Five years	-	-

Note 46: Corporate Social Responsibility

Gross Amount required to be spent by the Company during the year is Rs. 388.71 Lacs (Previous Year Rs.381.28 Lacs). Amount spent during the year on the following:

(Rs. in Lakhs)

<i>Particulars</i>	<i>March 31, 2020</i>
PM Cares Fund	200.00
Project Balgruh (Somaiya Group)	20.00
Akshaya Patra Foundation (Mid day Meal)	11.00
Help A Child (Somaiya Group)	19.00
Pratham	16.80
NSDL e-Governance Infrastructure Limited	30.00
Girivanasi Educational Trust (Somaiya Group)	6.00
Seva Sahayog Foundation	11.25
Meljol	20.00
Seva Sahayog Foundation	12.58
Seva Sahayog Foundation	27.19
The Fine Arts Society, Chembur	23.00
Concern India Foundation	20.00
Concern India Foundation	25.00
Save the Children India	17.50
Save the Children India	7.50
Sri Sathya Sai Health & Education Trust	6.00
Rotary Club of Navi Mumbai (Vashi)	3.50
Rotary Club of Navi Mumbai (Vashi)	0.50
Bombay Hospital Trust	50.00
Total	526.82

Note 47: Disclosure as per Section 186(4) of the Companies Act, 2013

a. Details of Inter-Corporate Loans / Guarantees granted during the year as below:

During the year FY 19-20 till March 31, 2020, the Company had granted loan amounting to Rs.300 Lacs (closing balance - Rs.400 Lacs) to its wholly owned subsidiary CARE Risk Solutions Pvt. Ltd.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2020

Details of Investment made during the year as below:

(Rs. in Lakhs)

<i>Name of the Company</i>	<i>Holding / Subsidiary / Associate</i>	<i>Year Ended March 31, 2020</i>	<i>Year Ended March 31, 2019</i>
CARE Ratings (Nepal) Limited	Subsidiary	-	-
CARE Ratings (Africa) Private Limited	Subsidiary	-	-
CARE Risk Solutions Pvt. Ltd.	Subsidiary	-	-
Credit Advisory Research & Training Limited	Subsidiary	-	-

Note 48

The Company has assessed the impact of COVID-19 pandemic on its financial statements based on the internal and external information upto the date of approval of these financial statements and the Company expects to recover the carrying amounts of its investments, intangible assets, trade receivables & other assets. The Company will continue to closely monitor the future economic conditions and assess its impact on its financial statements. Due to current situation, the Company has made an accelerated provision of Rs.700 Lacs on account of trade receivables.

Considering the Company's nature of business, management does not anticipate any serious challenges/ significant impact on continuity of its business.

Note 49

Corresponding figures of previous financial year has been regrouped/rearranged to conform to current year's grouping.

For Khimji Kunverji & Co. LLP
Chartered Accountants
FRN: 105146 W/ W100621

[Hasmukh Dedhia]
Partner (F-033494)

Mumbai
Date : June 18, 2020

For and on behalf of the Board of Directors of
CARE Ratings Limited

[Ajay Mahajan]
Managing Director & CEO
DIN No- 05108777

[Bharat Adnani]
Chief Financial Officer
M.No. 112238

Mumbai
Date : June 18, 2020

[Adesh Kumar Gupta]
Independent Director
DIN No. - 00020403

[Navin Jain]
Company Secretary
ACS A10703

[Najib Shah]
Independent Director
DIN No. - 08120210

INDEPENDENT AUDITOR’S REPORT

To the Members of
CARE Ratings Limited

Report on the Audit of the Consolidated Ind AS Financial Statements

Opinion

- We have audited the Consolidated Ind AS Financial Statements of CARE Ratings Limited (‘the Holding Company’), its Subsidiaries (the Holding Company and its subsidiaries together referred to as “the Group”), which comprise the consolidated Balance Sheet as at March 31, 2020, the consolidated Statement of Profit and Loss (including other comprehensive income), the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as “the Consolidated Ind AS Financial Statements”)

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Consolidated Ind AS Financial Statements give the information required by the Companies Act, 2013 (‘the Act’) in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Group as at March 31, 2020, and its profit (including other comprehensive income), changes in equity and its cash flows for the year ended on that date.

Basis for Opinion

- We conducted our audit in accordance with the Standards on Auditing (‘SAs’) specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Ind AS Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (‘ICAI’) together with the ethical requirements that are relevant to our audit of the Consolidated Ind AS Financial Statements under the provisions of the Act and the Rules thereunder; and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the Consolidated Ind AS Financial Statements.

Emphasis of Matter

- Attention is drawn to Note 48 of the Consolidated Ind AS Financial Statements which describes the impacts of COVID-19 Pandemic on the financial statements as also on business operations of the Group, assessment thereof by the management of the Holding Company based on its internal, external and macro factors, involving certain estimation uncertainties. Our opinion is not modified in respect of this matter.

Key Audit Matters

- Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Consolidated Ind AS Financial Statements of the current year. These matters were addressed in the context of our audit of the Consolidated Ind AS Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	Our audit approach
<i>Recognition, measurement, presentation and disclosures of revenues and other related balances in accordance with Ind AS 115 “Revenue from contracts with customers” (new accounting standard) and other regulatory requirements</i>	<p>We assessed the entity’s process to comply with the applicable Ind AS and other regulatory requirements</p> <p>Our audit approach consisted testing of the design and operating effectiveness of the internal controls and substantive testing as follows:</p> <ul style="list-style-type: none"> Evaluated the design of internal controls relating to implementation of the revenue accounting standard.

INDEPENDENT AUDITOR’S REPORT

<p>The recognition, measurement, presentation and disclosures of revenues and other related balances in accordance with Ind AS 115 and other regulatory requirements involve significant judgements and estimation as also timing of recognition by the management of the Holding Company. Further, the recognition of revenue involves various complexities with respect to nature and category of clients of the Holding Company.</p> <p>We determined this matter to be a key audit matter due to the complexity associated to comply with the applicable Ind AS and other regulatory requirements. [Note 1(h) to the Consolidated Ind AS Financial Statements]</p>	<ul style="list-style-type: none"> • Evaluated the reasonableness of the significant judgements and estimation involved in the process. • Selected a sample of continuing and new contracts, and tested the operating effectiveness of the internal control, relating to timing and extent of recognition of revenue therefrom based on the policy adopted by the Company. • Selected a sample of continuing and new contracts and performed the following procedures: <ul style="list-style-type: none"> • Read, analysed and identified the distinct performance obligations in these contracts. • Compared these performance obligations with that identified and recorded by the entity. • Sample of revenue disaggregated by type and service offerings was tested with the performance obligations specified in the underlying contracts.
<p>Regulations – Litigations and claims</p> <p>The Holding Company is exposed to various laws and regulations. In this regulatory environment, there is an inherent risk of litigations and claims. Consequently, provisions and contingent liabilities disclosures may arise from direct and indirect tax proceedings, legal proceedings, including regulatory and other government / department proceedings, as well as out of investigations by the authorities.</p> <p>As at March 31, 2020, the Holding Company’s has ascertained contingent liabilities of Rs. 72.51 Lakhs and also has unascertained liabilities (refer note 32 to the Consolidated Ind AS Financial Statements)</p> <ul style="list-style-type: none"> • Management applies significant judgement in estimating the likelihood of the future outcome in each case when considering whether, and how much, to provide or in determining the required disclosure for the potential exposure of each matter. This is due to the highly complex nature and magnitude of the legal matters involved along with the fact that resolution of tax and legal proceedings may span over multiple years, and may involve protracted negotiation or litigation. These estimates could change substantially over time as new facts emerge and each legal case progresses. <p>We determined this matter to be a key audit matter due to the inherent complexity and magnitude of potential exposures across the Holding Company and the judgment necessary to estimate the amount of provisions required or determine the required disclosures.</p>	<p>Our Audit approach in relation to the matter involved the following:</p> <ul style="list-style-type: none"> • Review the outstanding litigations against the Holding Company for comparing consistency with the previous years. Enquire and obtain explanations for movements during the year. • Reading the latest correspondences between the Holding Company and the various tax/legal authorities for significant matters. • Examined selectively the Holding Company’s legal expenses and read fully the minutes of the board meetings, in order to ascertain all cases have been identified. • With respect to tax matters, involving our tax specialists, and discussing with the Company’s personnel dealing with tax matters, their views and strategies on significant cases, as well as the related technical grounds relating to their conclusions based on applicable tax laws and precedence. • Assessing the decisions and rationale for provisions held or for decisions not to record provisions or make disclosures. • For those matters where management concluded that no provisions should be recognised, considering the adequacy and completeness of the Holding Company’s disclosures. • For complex regulatory litigations, reviewing the relevant correspondence by the holding company, studying the matters in the light of past precedence and views of the Holding Company’s legal advisor as made available by the Holding Company.

INDEPENDENT AUDITOR'S REPORT

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| | <ul style="list-style-type: none"> For claims made against the Holding Company but neither acknowledged nor disclosed, assessed the tenability of such claims based on reading the basis of such claims with relevant provisions of the law or regulations and considering the legal advice obtained by the Holding Company. |
|--|---|

Information other than the Consolidated Ind AS Financial Statements and Auditors' Report thereon

5. The Holding Company's Management and Board of Directors are responsible for the preparation of the other information, comprising of the information included in the Management Discussion and Analysis, Board's Report including Annexures to Board's Report, Business Responsibility Report, Corporate Governance and such other disclosures related Information, excluding the Consolidated Ind AS Financial Statements and Auditor's Report thereon ('Other Information'). The Other Information is expected to be made available to us after the date of this Auditors' Report. Our opinion on the Consolidated Ind AS Financial Statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Consolidated Ind AS Financial Statements, our responsibility is to read the Other Information when it becomes available and, in doing so, consider whether the Other Information is materially inconsistent with the Consolidated Ind AS Financial Statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated. When we read the Other Information and if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance as required under SA 720 'The Auditor's responsibilities Relating to Other Information'.

Responsibility of Management's and Board of Directors for Consolidated Ind AS Financial Statements

6. The Holding Company's Management and Board of Directors are responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these Consolidated Ind AS Financial Statements that give a true and fair view of the consolidated state of affairs, consolidated profit and other comprehensive income, consolidated statement of changes in equity and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards ("Ind AS") specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Holding Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the Consolidated Ind AS Financial Statements by the Management and Directors of the Holding Company, as aforesaid. In preparing the Consolidated Ind AS Financial Statements, the respective Management and Board of Directors of the companies included in the Group are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The respective Company's Management and Board of Directors of the companies included in the Group are responsible for overseeing the financial reporting process of the Group.

Auditor's Responsibilities for the Audit of the Consolidated Ind AS Financial Statements

7. Our objectives are to obtain reasonable assurance about whether the Consolidated Ind AS 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered

INDEPENDENT AUDITOR'S REPORT

material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated Ind AS Financial Statements. Our audit process in accordance with the SAs is narrated in details in Annexure 1 to this report.

Other Matters

8. We did not audit the financial statements of CARE Risk Solutions Private Limited and CARE Advisory Research & Training Limited, subsidiaries whose financial statements reflect total assets of Rs. 2663.70 Lakh as at March 31, 2020, total revenues of Rs. 1987.77 Lakh and net cash outflow of Rs. 0.57 Lakh for the year ended on that date, as considered in the Consolidated Ind AS Financial Statements. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the Consolidated Ind AS Financial Statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries and our report in terms of provisions of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries, is based solely on the reports of such other auditors.
9. We did not audit the financial statements of CARE Ratings (Africa) Private Limited and CARE Ratings (Nepal) Limited, subsidiary companies incorporated in Mauritius & Nepal respectively whose financial statements reflect total assets of Rs. 1,295.18 Lakh as at March 31, 2020, total revenues of Rs. 776.99 Lakh and net cash inflows of Rs. 144.19 Lakh for the year ended on that date, as considered in the Consolidated Ind AS Financial Statements. These financial statements have been audited by the other auditors as per the requirements of the applicable reporting standards of those countries and have been converted as per the requirements of Ind AS by the management of the Holding Company. Our opinion, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries and our report in terms of provisions of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries, is based solely on the reports of the other auditors.

Our opinion on the Consolidated Ind AS Financial Statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and the financial statements/ financial information certified by the Management.

10. Due to complete lockdown imposed by the Government to restrict the spread of COVID19, the audit finalization process, for the year under report, was carried out from remote locations i.e. other than the Office of the Holding company, based on the data/details made available and based on financial information/records remitted by the management through digital medium. Our report is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

11. As required by section 143(3) of the Act, we report that:
 - a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - b. In our opinion, proper books of account as required by law have been kept by the Group so far as it appears from our examination of those books.
 - c. The consolidated balance sheet, the consolidated statement of profit and loss including other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement dealt with by this Report are in agreement with the books of account maintained for the purpose of preparation of the Consolidated Ind AS Financial Statements.
 - d. In our opinion, the aforesaid Consolidated Ind AS Financial Statements comply with the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
 - e. On the basis of the written representations received from the directors of the Holding Company as on March 31, 2020, taken on record by the Board of Directors and the reports of the statutory auditors of its subsidiary company, none of the directors is disqualified as on March 31, 2020 from being appointed as a director in terms of section 164 (2) of the Act.
 - f. With respect to the adequacy and the operating effectiveness of the internal financial controls over financial reporting, refer to our separate report in 'Annexure 2' to this report which is based on the Auditor's Report of the Holding Company and its subsidiaries incorporated in India.

INDEPENDENT AUDITOR'S REPORT

- g. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- i. The Consolidated Ind AS Financial Statements disclose the impact of pending litigations on the consolidated financial position of the Group – Refer Note 32 to the Consolidated Ind AS Financial Statements;
 - ii. Provision has been made in the Consolidated Ind AS Financial Statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts – Refer Note 33 to the Consolidated Ind AS Financial Statements;
 - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company and its subsidiaries incorporated in India
- h. In our opinion and according to the information and explanation given to us and based on the reports of the statutory auditors of the subsidiary companies incorporated in India which were not audited by us, the remuneration paid during the current year by the Group to its directors is in accordance with the provisions of Section 197 of the Act. The remuneration paid to any director by the Group is not in excess of the limit laid down under Section 197 of the Act. The Ministry of Corporate Affairs has not prescribed other details under Section 197(16) of the Act which are required to be commented upon by us.

For **Khimji Kunverji & Co LLP**
Chartered Accountants
FRN: 105146W/W100621

Hasmukh B Dedhia
Partner (F - 033494)

UDIN: 20033494AAAAEZ3008

Place: Mumbai
Date: June 18, 2020

INDEPENDENT AUDITOR'S REPORT

Annexure 1 (referred to in paragraph 7 of Independent Auditors' Report)

As part of our audit in accordance with SAs we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Consolidated Ind AS Financial Statements, whether due to fraud or error, to design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Group has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management and Board of Directors.
- Conclude on the appropriateness of Management and Board of Directors use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's Report to the related disclosures in the Consolidated Ind AS Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Consolidated Ind AS Financial Statements, including the disclosures, and whether the Consolidated Ind AS Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Review of the audit financial statements of the subsidiaries not audited by us and communicating with the respective statutory auditors of such subsidiaries as per the framework of provisions of SA 600, "Using the work of another Auditor"
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Consolidated Ind AS Financial Statements of the current year and are therefore the key audit matters. We describe these matters in our Auditor's Report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITOR'S REPORT

Annexure 2

(referred to in paragraph 11(f) of Independent Auditors' Report)

Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (the "Act")

Opinion

In conjunction with our audit of the Consolidated Ind AS Financial Statements of the Company as of and for the year ended 31 March 2020, we have audited the internal financial controls with reference to Consolidated Ind AS Financial Statements of CARE Ratings Limited ('the Company') and its subsidiary companies, which are companies incorporated in India, as of that date.

In our opinion, the Holding Company and its subsidiary companies have, in all material respects, adequate internal financial controls system with reference to Consolidated Ind AS Financial Statements and such internal financial controls were operating effectively as at 31 March, 2020, based on the internal financial controls with reference to Consolidated Ind AS Financial Statements criteria established by the Holding Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (the 'Guidance Note').

Management's Responsibility for Internal Financial Controls

The Holding Company's management and the Board of Directors are responsible for establishing and maintaining internal financial controls based on the internal financial controls with reference to Consolidated Ind AS Financial Statements criteria established by the Holding Company considering the essential components of internal control stated in the Guidance Note. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013 (hereinafter referred to as 'the Act').

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls with reference to Consolidated Ind AS Financial Statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to Consolidated Ind AS Financial Statements. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to Consolidated Ind AS Financial Statements were established and maintained and whether such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system with reference to Consolidated Ind AS Financial Statements and their operating effectiveness. Our audit of internal financial controls with reference to Consolidated Ind AS Financial Statements included obtaining an understanding of such internal financial controls, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors in terms of their reports is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls with reference to Consolidated Ind AS Financial Statements.

INDEPENDENT AUDITOR'S REPORT

Meaning of Internal Financial Controls over Financial Reporting

A Company's internal financial controls with reference to Consolidated Ind AS Financial Statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Consolidated Ind AS Financial Statements for external purposes in accordance with generally accepted accounting principles. A Company's internal financial controls with reference to Consolidated Ind AS Financial Statements include those policies and procedures that;

1. pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
2. provide reasonable assurance that transactions are recorded as necessary to permit preparation of Consolidated Ind AS Financial Statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorisations of management and Directors of the Company; and
3. provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Company's assets that could have a material effect on the Consolidated Ind AS Financial Statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

Because of the inherent limitations of internal financial controls with reference to Consolidated Ind AS Financial Statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to Consolidated Ind AS Financial Statements to future periods are subject to the risk that the internal financial controls with reference to Consolidated Ind AS Financial Statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

For **Khimji Kunverji & Co LLP**
Chartered Accountants
FRN: 105146W/W100621

Hasmukh B Dedhia
Partner (F - 033494)

UDIN: 20033494AAAAEZ3008

Place: Mumbai
Date: June 18, 2020

CONSOLIDATED BALANCE SHEET

as at March 31, 2020

(Rs. in Lakhs)

<i>Particulars</i>	<i>Note Number</i>	<i>As at March 31, 2020</i>	<i>As at March 31, 2019</i>
ASSETS			
Non-Current Assets			
Property Plant and Equipments	2	7,356.58	7,367.47
Right of use assets	46	1,074.99	-
Goodwill on consolidation		795.03	795.03
Other Intangible Assets	2	84.25	147.14
Intangible Assets under Development	2	51.87	-
Financial Assets			
Investments	3	22,610.32	24,947.20
Loans	4	177.22	192.88
Other Non-Current Financial Assets	5	7.74	9.44
Deferred Tax Assets (Net)	6	98.12	70.53
Other Non-Current Assets	7	20.17	46.37
Total Non-Current Assets		32,276.29	33,576.06
Current Assets			
Financial Assets			
Investments (Current)	8	11,285.46	18,919.00
Trade Receivables	9	4,089.38	4,725.91
Cash and Cash Equivalents	10	699.47	1,982.16
Bank Balances other than Cash and Cash Equivalents	11	10,757.86	1,037.18
Loans	12	70.07	66.00
Other Current Financial Assets	13	332.20	184.03
Contract Assets	14	867.94	560.74
Current Tax Assets (Net)	15	1,221.54	125.85
Other Current Assets	16	302.20	336.20
Total Current Assets		29,626.12	27,937.07
Total Assets		61,902.41	61,513.13
Equity and Liabilities			
Equity			
Equity Share Capital	17	2,946.12	2,946.12
Other Equity	18	50,380.27	52,051.30
Non-Controlling Interest		324.63	237.55
Liabilities			
Non-Current Liabilities			
Other Non Current Financial Liabilities	19	830.80	-

CONSOLIDATED BALANCE SHEET

as at March 31, 2020

(Rs. in Lakhs)

<i>Particulars</i>	<i>Note Number</i>	<i>As at March 31, 2020</i>	<i>As at March 31, 2019</i>
Provisions	20	829.09	642.37
Deferred Tax Liabilities (Net)	21	609.49	740.86
Total Non-Current Liabilities		55,920.40	56,618.20
Current Liabilities			
Financial Liabilities			
Other Current Financial Liabilities	22	1,195.72	927.93
Other Current Liabilities	23	1,443.02	1,333.92
Contract Liabilities	24	2,868.21	2,038.55
Provisions	25	450.39	405.36
Current Tax Liability (Net)	26	24.67	189.17
Total Current Liabilities		5,982.01	4,894.93
Total Equity and Liabilities		61,902.41	61,513.13

Significant Accounting Policies

1

The accompanying notes are an integral part of the financial statements.

As per our attached Report of even date

For Khimji Kunverji & Co. LLP

Chartered Accountants

FRN: 105146 W/ W100621

[Hasmukh Dedhia]

Partner (F-033494)

Mumbai

Date : June 18, 2020

For and on behalf of the Board of Directors of

CARE Ratings Limited

[Ajay Mahajan]

Managing Director & CEO

DIN No- 05108777

[Bharat Adnani]

Chief Financial Officer

M.No. 112238

Mumbai

Date : June 18, 2020

[Adesh Kumar Gupta]

Independent Director

DIN No. - 00020403

[Navin Jain]

Company Secretary

ACS A10703

[Najib Shah]

Independent Director

DIN No. - 08120210

CONSOLIDATED PROFIT AND LOSS

for the year ended March 31, 2020

(Rs. in Lakhs)

<i>Particulars</i>	<i>Note Number</i>	<i>As at March 31, 2020</i>	<i>As at March 31, 2019</i>
Income			
Revenue From Operations	27	24,364.03	31,896.91
Other Income	28	3,146.76	3,039.21
Total Income		27,510.79	34,936.12
Expenses			
Employee Benefits Expense	29	10,927.37	10,280.67
Depreciation and Amortization Expense	2	776.79	333.04
Finance Charges	30	92.75	-
Other Expenses	31	5,304.62	4,149.63
Total Expenses		17,101.53	14,763.34
Profit before Exceptional Item and Tax		10,409.26	20,172.78
Exceptional Items		-	-
Profit before Tax Expense		10,409.26	20,172.78
Tax Expense	36		
Current Tax		2,213.86	6,024.03
Deferred Tax Expense		(132.90)	341.97
Adjustment of Tax of Earlier Years		(19.66)	-
Total Tax Expense		2,061.30	6,366.00
Profit after Tax		8,347.96	13,806.78
Profit for the period attributable to:			
Non-Controlling interest		110.95	59.55
Owners of the Parent		8,237.01	13,747.23
Other Comprehensive Income			
A (i) Items that will not be reclassified to profit & Loss		(103.36)	(315.74)
(ii) Income Tax Relating to Items that will not be reclassified to profit & Loss		26.26	110.16
B (i) Items that will be reclassified to profit & Loss		(11.93)	0.19
(ii) Income Tax Relating to Items that will be reclassified to profit & Loss		3.00	
Other Comprehensive Income for the year		(86.03)	(205.39)
Other Comprehensive Income for the year attributable to:			
Non-Controlling interest		(1.96)	-
Owners of the Parent		(84.07)	(205.39)
Total Comprehensive Income for the year		8,261.93	13,601.39
Total Comprehensive Income for the year attributable to:			

CONSOLIDATED PROFIT AND LOSS

for the year ended March 31, 2020

(Rs. in Lakhs)

<i>Particulars</i>	<i>Note Number</i>	<i>As at March 31, 2020</i>	<i>As at March 31, 2019</i>
Non-Controlling interest		108.98	59.56
Owners of the Parent		8,152.95	13,541.83
Earnings Per Share (Face Value Rs.10/- each)	37		
- Basic		27.96	46.66
- Diluted		27.96	46.66

Significant Accounting Policies

1

The accompanying notes are an integral part of the financial statements.

As per our attached Report of even date

For Khimji Kunverji & Co. LLP
Chartered Accountants
FRN: 105146 W/ W100621

[Hasmukh Dedhia]
Partner (F-033494)

Mumbai
Date : June 18, 2020

For and on behalf of the Board of Directors of
CARE Ratings Limited

[Ajay Mahajan]
Managing Director & CEO
DIN No- 05108777

[Bharat Adnani]
Chief Financial Officer
M.No. 112238

Mumbai
Date : June 18, 2020

[Adesh Kumar Gupta]
Independent Director
DIN No. - 00020403

[Navin Jain]
Company Secretary
ACS A10703

[Najib Shah]
Independent Director
DIN No. - 08120210

CONSOLIDATED CASH FLOW STATEMENT

for the year ended March 31, 2020

(Rs. in Lakhs)

<i>Particulars</i>	<i>For the Year ended March 31, 2020</i>	<i>For the Year ended March 31, 2019</i>
Cash flows from Operating Activities		
Profit before tax	10,409.26	20,172.78
Adjustments for		
Income from investments	(1,278.51)	(1,443.10)
Gain on sale of Investment	-	(60.62)
Notional Income on Fair Value of Security Deposits	(11.28)	(11.01)
Unrealized Gain on Fair Valuation of Investments through Profit & Loss	(1,761.97)	(1,427.69)
Gain/(Loss) on defined benefit plan		(315.74)
Deferred Lease Expense	-	10.40
Provision for Doubtful Debts	769.24	-
Bad Debts written off	262.01	-
Loss/(Gain) on Sale of Fixed Assets	10.03	(2.81)
ESOP Expense	534.51	1,273.73
Amortization of Premium	17.08	17.04
Finance cost on Lease Liabilities	92.75	-
Depreciation	776.79	333.04
Operating Profit before working capital changes	9,819.91	18,546.02
Movements in working capital		
Decrease/(Increase) in Trade Receivables	(394.72)	(801.90)
Decrease/(Increase) in Non-Financial Assets	60.21	(158.98)
Decrease/(Increase) in Financial Assets	(10,162.76)	(732.04)
Decrease/(Increase) in Non-Financial Liabilities	109.10	314.15
Decrease/(Increase) in Financial Liabilities	808.02	(220.87)
Increase/(Decrease) in Provisions	186.72	168.99
Increase/(Decrease) in Provisions for Current Liabilities	45.03	(21.65)
Total Movements in working capital	(9,348.40)	(1,452.30)
Taxes paid	(3,451.87)	(6,237.48)
Net cash from/(used in) operating activities (I)	(2,980.36)	10,856.24
Cash flows from Investing Activities		
Income from investments	1,278.51	1,443.10
Sale of fixed assets	22.20	2.81
Purchase of fixed assets	(457.91)	(2,622.03)
Purchase of investments	(2,700.00)	(17,870.41)
Sale of investments	14,250.63	27,308.36
Net cash from investing activities (II)	12,393.43	8,261.83

CONSOLIDATED CASH FLOW STATEMENT

for the year ended March 31, 2020

(Rs. in Lakhs)

<i>Particulars</i>	<i>For the Year ended March 31, 2020</i>	<i>For the Year ended March 31, 2019</i>
Cash flows from Financing Activities		
Dividend and Dividend Tax paid	(10,333.50)	(19,534.49)
Transfer to/from Retained Earnings	-	(0.59)
Repayment of Lease Liability	(269.53)	-
Payment of Interest on Lease Liability	(92.74)	-
Net cash used in financing activities (III)	(10,695.77)	(19,535.08)
Effects of Un-realized Exchange gain on Cash & Cash Equivalents	-	-
Net increase / (decrease) in cash and cash equivalents (I + II + III)	(1,282.70)	(417.01)
Cash And Cash Equivalents At The Beginning	1,982.16	2,399.17
Cash And Cash Equivalents At The End	699.46	1,982.16

Significant Accounting Policies

1

The accompanying notes are an integral part of the financial statements.

As per our attached Report of even date

For Khimji Kunverji & Co. LLP
Chartered Accountants
FRN: 105146 W/ W100621

[Hasmukh Dedhia]
Partner (F-033494)

Mumbai
Date : June 18, 2020

**For and on behalf of the Board of Directors of
CARE Ratings Limited**

[Ajay Mahajan]
Managing Director & CEO
DIN No- 05108777

[Bharat Adnani]
Chief Financial Officer
M.No. 112238

Mumbai
Date : June 18, 2020

[Adesh Kumar Gupta]
Independent Director
DIN No. - 00020403

[Navin Jain]
Company Secretary
ACS A10703

[Najib Shah]
Independent Director
DIN No. - 08120210

STATEMENT OF CHANGES IN EQUITY

for the year ended March 31, 2020

A. Equity Share Capital

For the year ended March 31, 2020

(Rs. in Lakhs)

<i>Balance as at April, 01, 2019</i>	<i>Changes in Equity Share Capital during the year</i>	<i>Balance as at March 31, 2020</i>
2,946.12	-	2,946.12

For the year ended March 31, 2019

(Rs. in Lakhs)

<i>Balance as at April, 01, 2018</i>	<i>Changes in Equity Share Capital during the year</i>	<i>Balance as at March 31, 2019</i>
2,946.12	-	2,946.12

STATEMENT OF CHANGES IN EQUITY

for the year ended March 31, 2020

Particulars	Reserves & Surplus							Other Comprehensive Income	Total Equity
	(Rs. in Lakhs)								
	Share Option Outstanding Reserve	Capital Redemption Reserve	Securities Premium	General Reserve	Foreign Currency Translation Reserve	Retained Earnings	Equity Instruments through other comprehensive income		
Balance as at April 01, 2019	2,138.63	22.50	6,517.63	19,475.35	(6.61)	23,816.91	86.89	52,051.30	
Profit for the year (1)	-	-	-	-	-	8,237.01	-	8,237.01	
Other Comprehensive Income/(loss) for the year									
Fair value Gain/(loss) on Equity Instruments through other comprehensive income	-	-	-	-	-	-	14.72	14.72	
Remeasurement gain/(loss) on defined benefit plan (1)	-	-	-	-	-	(118.08)	-	(118.08)	
Foreign Currency Translation Adjustments (2)	-	-	-	-	(9.31)	-	-	(9.31)	
Deferred Tax impact on above adjustments (3)	-	-	-	-	-	32.31	(3.70)	28.61	
Total Comprehensive Income/ (loss) for the year (1+2+3)					(9.31)	8,151.24	11.02	8,152.95	
Contribution by and Distribution to Owners									
Dividends	-	-	-	-	-	(8,577.30)	-	(8,577.30)	
Dividend distribution tax	-	-	-	-	-	(1,756.19)	-	(1,756.19)	
Impact of Right of use asset pertaining to earlier years	-	-	-	-	-	(24.99)	-	(24.99)	
Employee Stock Option lapsed	(321.58)	-	-	321.58	-	-	-	-	
Employee Stock Option charge for the period	534.51	-	-	-	-	-	-	534.51	
Balance as at March 31, 2020	2,351.56	22.50	6,517.63	19,796.93	(15.92)	21,609.65	97.91	50,380.27	

STATEMENT OF CHANGES IN EQUITY

for the year ended March 31, 2020

Particulars	Reserves & Surplus						Other Comprehensive Income	Total Equity
	Share Option Outstanding Reserve	Capital Redemption Reserve	Securities Premium	General Reserve	Foreign Currency Translation Reserve	Retained Earnings		
Balance as at April 01, 2018	864.90	22.50	6,517.63	19,475.35	21.23	29,663.25	172.36	56,737.22
Profit for the year (1)	-	-	-	-	-	13,747.24	-	13,747.24
Other Comprehensive Income/(loss) for the year								
Re-measurement gain/(loss) on defined benefit plan (2)	-	-	-	-	-	(315.74)	-	(315.74)
Other Comprehensive Income/(loss) for the year (3)	-	-	-	-	(27.84)	223.64	(85.47)	110.33
Total Comprehensive Income/ (loss) for the year (1+2+3)					(27.84)	13,655.14	(85.47)	13,541.83
Contribution by and Distribution to Owners								
Dividends	-	-	-	-	-	(16,203.77)	-	(16,203.77)
Dividend distribution tax	-	-	-	-	-	(3,330.71)	-	(3,330.71)
Transfer (to) / from Retained Earnings	-	-	-	-	-	32.98	-	32.98
Employee Stock Option Granted	1,273.73	-	-	-	-	-	-	1,273.73
Balance as at March 31, 2019	2,138.63	22.50	6,517.63	19,475.35	(6.61)	23,816.91	86.89	52,051.30

STATEMENT OF CHANGES IN EQUITY

for the year ended March 31, 2020

The description of the nature and purpose of each reserve within equity is as follows:

a. Capital Redemption Reserve

Capital Redemption Reserve represents nominal value of shares credited at the time of buyback of shares.

b. Securities Premium Reserve

Securities Premium Reserve is credited when the shares are issued at premium. It is utilized in accordance with the provision of the Companies Act, to issue bonus shares, to provide for premium on redemption of shares, equity related expenses like underwriting costs, etc.

c. Employees Stock Options Outstanding Reserve

The Company has Share Options Scheme under which option to subscribe for the Company's shares have been granted to selected employees. Refer Note 38 for further details of this plan.

d. General Reserve

In Earlier years, the Company has transferred a portion of the net profits of the Company before declaring dividends to General Reserve. Mandatory transfer to General Reserve is not required under the Companies Act, 2013

Significant Accounting Policies

1

The accompanying notes are an integral part of the financial statements.

As per our attached Report of even date

For Khimji Kunverji & Co. LLP
Chartered Accountants
FRN: 105146 W/ W100621

[Hasmukh Dedhia]
Partner (F-033494)

Mumbai
Date : June 18, 2020

For and on behalf of the Board of Directors of
CARE Ratings Limited

[Ajay Mahajan]
Managing Director & CEO
DIN No- 05108777

[Bharat Adnani]
Chief Financial Officer
M.No. 112238

Mumbai
Date : June 18, 2020

[Adesh Kumar Gupta]
Independent Director
DIN No. - 00020403

[Navin Jain]
Company Secretary
ACS A10703

[Najib Shah]
Independent Director
DIN No. - 08120210

STATEMENT OF CHANGES IN EQUITY

for the year ended March 31, 2020

Note 1 :

Group Overview and Significant Accounting Policies

Group Overview:

CARE Ratings Limited ('the Holding Company' or 'the Company' or 'CARE'), commenced its operations in April 1993 has established itself as the leading credit rating agency of India. The Company provides the various credit ratings that the corporates to raise capital for their various requirements and assists the investors to form an informed investments decision based on the credit risk and their own risk-return expectations. The Company has its registered office and head office both located in Mumbai. In addition, CARE Ratings has regional offices at Ahmedabad, Bengaluru, Chandigarh, Chennai, Cochin, Coimbatore, Hyderabad, Jaipur, Kolkata, New Delhi and Pune.

The details of subsidiaries are as under:

Name of the Company :	CARE Risk Solutions Private Limited ("CRSPL")
Country of Incorporation:	India
Ownership in % either directly or through Subsidiaries:	100%

The Financial year for the above subsidiary company is uniform and ends on March 31 every year.

Name of the Company:	CARE Ratings (Africa) Private Limited ("CRAF")
Country of Incorporation:	Mauritius
Ownership in % either directly or through Subsidiaries:	78%

The Financial year for the above subsidiary company is uniform and ends on March 31 every year.

Name of the Company:	CARE Advisory Research & Training LTD ("CART")
Country of Incorporation:	Mumbai
Ownership in % either directly or through Subsidiaries:	100%

The Financial year for the above subsidiary company is uniform and ends on March 31 every year.

Name of the Company:	CARE Ratings Nepal Ltd ("CRNL")
Country of Incorporation:	Nepal
Ownership in % either directly or through Subsidiaries:	51%

The Financial year for the above subsidiary company is 16th July to 15th July, however the accounts for the purpose of consolidation are prepared from April 2019 to March 2020.

The financial statements are for the group consisting of the company & its subsidiaries.

Summary of Significant Accounting Policies:

a. Statement of Compliance

These financial statements are prepared in accordance with the Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 as amended from time to time, the relevant provision of the Companies Act, 2013 ("the Act") and guidelines issued by the Securities and Exchange Board of India (SEBI), as applicable.

The Consolidated Financial Statements were approved for issue by the Board of Directors on June 18 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2020

b. Basis of preparation of Accounts:

Basis of Preparation:

The financial statements have been prepared on a historical cost basis, except for the following assets and liabilities:

- i. Certain financial assets and liabilities measured at fair value and classified as fair value through other comprehensive income or fair value through profit or loss.
- ii. Employee's Defined Benefit Plan as per actuarial valuation;
- iii. Equity settled share based payments measured at Fair value.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions, regardless of whether that price is directly observable or estimated using another valuation technique. In determining the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Functional and Presentation Currency:

The financial statements are presented in Indian Rupees, which is the presentation currency of the Group.

Classification of Assets and Liabilities into Current/Non-Current

The Group has ascertained its operating cycle as twelve months for the purpose of Current/ Non-Current classification of its Assets and Liabilities.

For the purpose of Balance Sheet, an asset is classified as current if:

- i. It is expected to be realized, or is intended to be sold or consumed, in the normal operating cycle; or
- ii. It is held primarily for the purpose of trading; or
- iii. It is expected to realize the asset within twelve months after the reporting period; or
- iv. The asset is a cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current. Similarly, a liability is classified as current if:

- i. It is expected to be settled in the normal operating cycle; or
- ii. It is held primarily for the purpose of trading; or
- iii. It is due to be settled within twelve months after the reporting period; or
- iv. The Group does not have an unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could result in its settlement by the issue of equity instruments at the option of the counterparty does not affect this classification.

All other liabilities are classified as non-current.

c. Property, Plant and Equipment (PPE)

Property, plant and equipment are stated at cost, less accumulated depreciation and impairment loss, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Expenditure incurred after the PPE have been put into operations, such as repairs and maintenance, are charged to the Statement of Profit & Loss in the period in which the costs are incurred.

An item of PEE is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment, determined as the difference between the sales proceeds and the carrying amount of the asset, is recognized in the Statement of Profit or Loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2020

d. Capital Advance, Capital Work in Progress and Intangibles under development

Advances paid towards acquisition of PPE outstanding at each Balance Sheet date is classified as capital advances under other non-current assets.

Capital work-in-progress in respect of assets which are not ready for their intended use are carried at cost, comprising of direct costs, related incidental expenses and attributable interest.

Expenditure on development eligible for capitalization are carried as intangible assets under development where such assets are not yet ready for their intended use.

e. Depreciation

Depreciation on PPE is the systematic allocation of the depreciable amount over its useful life and is provided on a straight line basis over such useful lives as prescribed in Schedule II of the Companies Act, 2013.

Depreciation on additions is being provided on Pro rata basis from the date of such additions.

Depreciation on sale or disposal is provided on Pro rata basis till the date of such sale or disposal.

Depreciation on fixed assets in CR SPL & CR NL are provided on written down value method using the rates arrived at based on useful lives as provided in Schedule II of the Companies Act, 2013 & 25% respectively. Adjustments to the fixed assets of the subsidiary to bring in line with the accounting policy of the holding company at the time of consolidation are not done, since the impact of the same is not material.

f. Intangible Assets and Amortization

Intangible assets are accounted at fair value based on evaluation reports of experts less accumulated amortization and accumulated impairment losses thereon, if any. An intangible asset is recognized, where it is probable that the future economic benefit attributable to the assets will flow to the enterprise and where its costs can be reliably measured. The Group determine the amortization period as the period over which future economic benefit will flow to the Group after taking into account all relevant facts and circumstances.

An intangible asset is derecognized on disposal or when no future economic benefits are expected from use or disposal. Gains or losses arising from de-recognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in the profit or loss when the asset is derecognized.

Intangible assets in the nature of computer software are amortized over the period of 3 years.

Intangible assets in the nature of computer software is stated at their cost of acquisition less accumulated depreciation and impairment loss, if any. Intangible assets (software) developed in house are accounted at the cost incurred in developing the intangible asset.

g. Impairment of Non-Financial Assets – Property, Plant and Equipment & Intangible Assets

The carrying amount of assets are reviewed at each Balance Sheet date if there is any indication of impairment based on internal/ external factors. An asset is treated as impaired when the carrying cost of asset exceeds its recoverable value. The recoverable amount is the higher of an asset's fair value less cost of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Reversal of impairment losses recognized in prior years is recorded when there is an indication that impairment losses recognized for the assets no longer exist or have decreased.

h. Revenue Recognition

Rating Income (Including Surveillance Income)

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Income is recognized based on percentage complete method. Major portion of Initial and surveil-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2020

lance rating fees will be recognized on the date rating based on efforts and balance portion of it is over the 12 months from the date of rating.

Income on subscription to information services primarily pertains to sale of research reports and the income thereon is recognized on accrual basis.

License, Implementation and Customization fees

License, Implementation and Customization fees are recognized on proportionate work completion basis as per the terms of the contract. Proportion of work completion is determined as a proportion of costs incurred to date to the total estimated cost to complete the contract. Provision for expected loss is recognized immediately when it is probable that the total estimated costs will exceed total contract value.

Fee from other service accounted for on accrual basis.

Revenue from maintenance contracts is recognized over the term of maintenance.

Training Fees

Income from Training services is recognized on accrual basis.

Interest Income

Interest income from debt instruments viz. investment in PSU Bonds is recognized using the effective interest rate method. The effective interest rate is the rate that discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of a financial asset. When calculating the effective interest rate, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument but does not consider the expected credit losses.

Dividend Income

Dividends are recognized in the Statement of Profit and Loss only when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Sale of Investments

Difference between the sale price and carrying value of investment as determined at the end of the previous year is recognized as profit or loss on sale / redemption on investment on trade date of transaction.

i. Financial Instruments

A Financial Instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial Assets & Financial Liabilities are recognized when the Group becomes party to contractual provisions of the relevant instrument.

Initial Recognition:

All financial assets and liabilities are initially recognized at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities, which are not at fair value through profit or loss, are adjusted to the fair value on initial recognition. Transaction costs directly attributable to acquisition or issue of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in the Statement of Profit and Loss.

Classification and Subsequent Measurement: Financial Assets

The Group classifies financial assets as subsequently measured at Amortized Cost, Fair Value through Other Comprehensive Income ("FVTOCI") or Fair Value through Profit or Loss ("FVTPL") on the basis of following

- The entity's business model for managing the financial assets.
- The contractual cash flow characteristics of the financial asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2020

(a) Amortized Cost:

A financial asset is measured at amortized cost if it is held within a business model whose objective is to hold the asset in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

In case of financial assets classified and measured at amortised cost, any interest income, foreign exchange gains or losses and impairment are recognised in the Statement of Profit and Loss

(b) Fair Value through Other Comprehensive Income (FVTOCI):

A financial asset is measured at FVTOCI if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(c) Fair Value through Profit & Loss (FVTPL):

A financial asset which is not classified in any of the (a) or (b) above categories is measured at FVTPL.

Investment in Equity Instruments designated to be classified as FVTOCI:

The Group carries certain equity instruments which are not held for trading. The Group has elected the irrevocable option to measure such instruments at FVTOCI since initial recognition. Movements in fair value of these investments are recognized in Other Comprehensive Income and the gain or loss will not be reclassified to Statement of Profit and Loss on disposal of these investments. Dividends from these investments are recognized in statement of profit and loss when the Group's right to receive dividends is established.

Classification and Subsequent Measurement: Financial Liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or 'other financial liabilities'.

Financial Liabilities at FVTPL:

Financial liabilities are classified as at FVTPL when the financial liability is held for trading or are designated upon initial recognition as FVTPL: Gains or Losses on liabilities held for trading are recognized in the Statement of Profit and Loss.

Other Financial Liabilities:

Other financial liabilities (including trade and other payables) are subsequently measured at amortized cost using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost on initial recognition. For the liabilities maturing within one year from the balance sheet date, the carrying amounts approximate fair value due to the short maturity of these instruments.

Impairment of financial assets:

In accordance with Ind AS 109, the Group uses 'Expected Credit Loss' (ECL) model, for evaluating impairment of financial assets other than those measured at fair value through profit and loss (FVTPL). Expected credit losses are measured through a loss allowance at an amount equal to:

The 12-months expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date); or

Full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument)

For trade receivables Group applies 'simplified approach' which requires expected lifetime losses to be recognized from initial recognition of the receivables. The application of simplified approach does not require the Group to track changes in credit risk. The Group calculates the expected credit losses on trade receivables using a provision matrix on the basis of its historical credit loss experience.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2020

De-recognition of financial assets:

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for de-recognition under Ind AS 109. A financial liability (or a part of a financial liability) is derecognized from the Group's Balance Sheet when the obligation specified in the contract is discharged or cancelled or expires.

j. Cash and cash equivalent

Cash and cash equivalents in the Balance Sheet comprise cash at bank and in hand that are readily convertible into cash which are subject to insignificant risk of changes in value and are held for the purpose of meeting short-term cash commitments.

k. Lease

Effective April 1, 2019, the Group adopted Ind AS 116 'Leases' using the modified retrospective method, under which the cumulative effect of initial application is recognised in retained earnings at April 1, 2019. Accordingly, the comparative information has not been restated.

The Group, at the inception of a contract, assesses the contract as, or containing, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether the contract involves the use of an identified asset, the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and the Group has the right to direct the use of the asset.

Group as a lessee

On initial application of Ind AS 116, the Group recognised a lease liability measured at the present value of all the remaining lease payments, discounted using rate that matches opportunity cost of Investment at April 1, 2019 whereas the Group has elected to measure right-of-use asset at its carrying amount as if Ind AS 116 had been applied since the lease commencement date, but discounted using rate that matches opportunity cost of Investment at April 1, 2019. The Group has elected not to recognise a lease liability and a right-of-use asset for leases for which the lease term ends within twelve months of April 1, 2019 or leases of low value assets and has accounted for these leases as short-term leases. The lease payments associated with these leases are recognised as an expense on a straight line basis over the lease term.

For new lease contracts, the Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee in the balance sheet. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using rate that matches opportunity cost of Investment.

Subsequently, the lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or when the lease contract is modified and the lease modification is not accounted for as a separate lease. The corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the related right-of-use asset has been reduced to zero.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability, any lease payments made at or before the commencement date, any initial direct costs less any lease incentives received.

Right-of-use assets are evaluated for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the Cash Generating Unit (CGU) to which the asset belongs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2020

Subsequent to initial recognition, right-of-use asset are stated at cost less accumulated depreciation and any impairment losses and adjusted for certain remeasurements of the lease liability. Depreciation is computed using the straight-line method from the commencement date to the end of the useful life of the underlying asset or the end of the lease term, whichever is shorter. The estimated useful lives of right-of-use assets are determined on the same basis as those of the underlying property and equipment. In the balance sheet, the right-of-use assets and lease liabilities are presented separately.

The Group has elected not to recognise right-of-use assets and lease liabilities for short term leases that have a lease term of 12 months or less and leases of low value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Lease liability has been presented in Note 19 "Other Non-Current Financial Liabilities", Note No. 22 "Other Current Financial Liabilities" and Right-of-use asset has been presented in Note 2 "Property, Plant and Equipment" and lease payments have been classified as financing cash flows.

I. Translation of Foreign Currency Items

Foreign currency transactions are recorded at exchange rate prevailing on the date of the transaction. Foreign currency denominated monetary assets and liabilities are restated into the functional currency using exchange rates prevailing on the Balance sheet date. Gains and losses arising on settlement and restatement of foreign currency denominated monetary assets and liabilities are recognized in the statement of profit and loss, Non-monetary assets and liabilities that are measured in terms of historical cost of foreign currencies are not translated.

m. Employee Benefit expense

Defined benefit plan:

The Company pays gratuity to the employees whoever has completed five years of service with the Company at the time of resignation/superannuation. In case of the Holding Company, the gratuity liability amount is contributed to the approved gratuity fund formed exclusively for gratuity payment to the employees. In case of Subsidiaries, the gratuity liability is unfunded.

The liability in respect of gratuity and other post-employment benefits is calculated using the Projected Unit Credit Method and spread over the period during which the benefit is expected to be derived from employees' services.

Re-measurement of defined benefit plans in respect of post-employment are charged to the Other Comprehensive Income. Re-measurement recognized in OCI is reflected immediately in retained earnings and will not be reclassified to Statement of Profit and Loss.

The present value of the defined benefit plan liability is calculated using a discount rate which is determined by reference to market yields at the end of the reporting period on government bonds.

The defined benefit obligation recognized in the Balance Sheet represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

In respect of foreign subsidiaries there are no employee benefit plans in the nature of defined benefit plans

Defined contribution plan:

Payments to defined contribution plans are recognized as an expense when employees have rendered service entitling them to the contributions.

The eligible employees of the Group are entitled to receive benefits in respect of provident fund, for which both the Employees and the Company make monthly contributions at a specified percentage of the covered employees' salary. The contributions as specified under the law are made to the Government Provident Fund monthly.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2020

Other employee benefits:

A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave in the period the related service is rendered. Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service. Liabilities recognized in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date

n. Income Taxes:

The tax expense for the period comprises current and deferred tax. Tax is recognized in Statement of Profit and Loss, except to the extent that it relates to items recognized in the comprehensive income or in equity. In which case, the tax is also recognized in other comprehensive income or equity.

Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted at the Balance sheet date.

Minimum Alternative Tax

Minimum alternative Tax (MAT) credit is recognized as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. In the year in which the MAT credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in Guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the statement of profit and loss. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal income tax during the specified period.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial Statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Tax relating to items recognized directly in equity or OCI is recognized in equity or OCI and not in the Statement of Profit and Loss. Deferred tax asset and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities and they relate to Income taxes levied by the same tax authority, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent it is probable that future taxable profits will be available against which the Temporary difference can be utilized. The carrying amount of Deferred tax liabilities and asset are reviewed at the end of each reporting period date and are reduced to the extent that it is no longer probable.

o. Earnings Per Share

The basic Earnings Per Share ("EPS") is computed by dividing the net profit / (loss) after tax for the year attributable to the Equity shareholders by the weighted average number of equity shares outstanding during the year.

For the purpose of calculating diluted earnings per share, net profit/(loss) after tax for the year attributable to the equity shareholders and the weighted average number of equity shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2020

p. Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects current market assessment of time value of money and, where appropriate, the risks specific to the liability. Unwinding of the discount is recognized in the Statement of Profit and Loss as a finance cost. Provisions are reviewed at each reporting date and are adjusted to reflect the current best estimate.

Contingent liabilities are also disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. Claims against the Group where the possibility of any outflow of resources in settlement is remote, are not disclosed as contingent liabilities.

Contingent assets are not recognized in financial statements since this may result in the recognition of income that may never be realized. However, when the realization of income is virtually certain, then the related asset is not a contingent asset and is recognized.

q. Share based payments

Equity-settled share based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share based payments transactions are set out in Note 38.

The fair value determined at the grant date of the equity-settled share based payments is expensed on a straight line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in Statement of Profit and Loss such that the cumulative expenses reflects the revised estimate, with a corresponding adjustment to the Share Based Payments Reserve.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

r. Segment Reporting - Identification of Segments:

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the company's management to make decisions for which discrete financial information is available.

Based on the management approach, the management evaluates the Group's performance and allocates resources based on an analysis of various performance indicators by business segments and geographic segments.

Note 1(A): Use of Estimates and Judgments

The preparation of the financial statements in conformity with Ind AS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2020

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are included in the following notes:

a. Useful Lives of Property, Plant & Equipment:

The Group uses its technical expertise along with historical and industry trends for determining the economic life of an asset/component of an asset. The useful lives are reviewed by management periodically and revised, if appropriate. In case of a revision, the unamortized depreciable amount is charged over the remaining useful life of the assets.

b. Fair value measurement of Financial Instruments

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques like Net Asset Method. The inputs to these models are taken from the financial statements of the companies in which Group has invested. These are considered as non-observable market inputs whereby a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility.

c. Revenue Recognition

The Group recognizes portion of rating fee income commensurate with the efforts involved based on percentage completion method. The Group uses various judgments and estimates to assess the efforts required for completion of various activities in the rating process. Based on assessment, the Group defines the percentage completion to be applied to measure income to be recognized from initial rating and surveillance during the year.

The Group's assessment of percentage completion is as follows:

As a matter of prudent policy and on the basis of past experience of recoverability of income, fees in respect of certain defined categories of clients are recognized when there is reasonable certainty of ultimate collection

d. License, Implementation and Customization fees are recognized on proportionate work completion basis

Proportion of work completion is determined as a proportion of costs incurred to date to the total estimated cost to complete the contract. Provision for expected loss is recognized immediately when it is probable that the total estimated costs will exceed total contract value.

- Fee from other service accounted for on accrual basis.
- Revenue from maintenance contracts is recognized over the term of maintenance.
- Income from Training Services rendered is recognized on accrual basis.

e. Expected Credit Losses on Financial Assets

The impairment provisions of financial assets are based on assumptions about risk of default and expected timing of collection. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, customer's creditworthiness, existing market conditions as well as forward looking estimates at the end of each reporting period.

f. Share-based payments

The Group measures the cost of equity-settled transactions with employees using Black-Scholes model to determine the fair value of the liability incurred on the grant date. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant.

This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2020

estimating fair value for share-based payment transactions are disclosed in Note 34

g. Defined benefits Plans

The cost of the defined benefit gratuity plan and other employment benefits and the present value of the gratuity obligation and other employment benefits are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

h. Leases

Ind AS 116 defines a lease term as the non-cancellable period for which the lessee has the right to use an underlying asset including optional periods, when an entity is reasonably certain to exercise an option to extend (or not to terminate) a lease. The Group considers all relevant facts and circumstances that create an economic incentive for the lessee to exercise the option when determining the lease term. The option to extend the lease term are included in the lease term, if it is reasonably certain that the lessee will exercise the option. The Group reassess the option when significant events or changes in circumstances occur that are within the control of the lessee.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2020

Note 2 : Property Plant & Equipments

(Rs. in Lakhs)

Description of Assets	Gross Block			Depreciation			Net Block	
	As at April 1, 2019	Additions during the year	Deductions during the year	As at March 31, 2020	For the year	On deletions / disposals during the year	As at March 31, 2020	As at March 31, 2020
Tangible Assets								
Furniture & Fixtures	263.16	41.12	-	304.28	41.20	-	155.60	148.68
Office Equipments	303.99	32.84	4.97	331.86	29.97	4.97	232.14	99.72
Computers	421.43	280.01	106.89	594.55	144.57	106.89	191.51	403.04
Vehicles	88.68	22.73	42.28	69.13	11.76	10.06	12.27	56.85
Electrical Installations	86.59	2.53	-	89.12	11.28	-	45.72	43.40
Buildings	7,014.66	-	-	7,014.66	125.04	-	416.58	6,598.08
Leasehold Improvements	5.41	7.92	-	13.33	1.99	-	6.52	6.81
Total Tangible	8,183.92	387.15	154.14	8,416.93	365.81	121.92	1,060.35	7,356.58
Other Intangible Assets								
Computer Software	252.71	18.90	-	271.61	81.78	-	187.36	84.25
Total Other Intangible Assets	252.71	18.90	-	271.61	81.78	-	187.36	84.25
Intangible Assets Under Development	-	51.87	-	51.87	-	-	-	51.87
Total	8,436.63	457.92	154.14	8,740.41	447.59	121.92	1,248.11	7,492.70

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2020

Note 2 : Property Plant & Equipments (Cont....)

(Rs. in Lakhs)

Description of Assets	Gross Block			Depreciation			Net Block		
	As at April 1, 2018	Additions during the year	Deductions during the year	As at March 31, 2019	As at April 1, 2018	For the year	On deletions / disposals during the year	As at March 31, 2019	As at March 31, 2019
Tangible Assets									
Furniture & Fixtures	214.60	48.56	-	263.16	76.26	38.14	-	114.40	148.76
Office Equipments	239.85	65.14	1.00	303.99	186.12	22.02	1.00	207.14	96.85
Computers	244.18	233.51	56.26	421.43	127.74	82.35	56.26	153.83	267.60
Vehicles	42.28	46.40	-	88.68	0.68	9.89	-	10.57	78.11
Electrical Installations	71.38	15.21	-	86.59	23.38	11.06	-	34.44	52.15
Buildings	4,888.63	2,126.03	-	7,014.66	178.97	112.57	-	291.54	6,723.11
Leasehold Improvements	5.41	-	-	5.41	3.80	0.73	-	4.53	0.88
Total Tangible	5,706.33	2,534.85	57.26	8,183.92	596.95	276.76	57.26	816.45	7,367.47
Intangible Assets									
Computer Software	165.54	87.18	-	252.72	49.30	56.28	-	105.58	147.14
Total Intangible	165.54	87.18	-	252.72	49.30	56.28	-	105.58	147.14
Total	5,871.87	2,622.03	57.26	8,436.64	646.25	333.04	57.26	922.03	7,514.61

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2020

Note 3:

Investments - Non Current

(Rs. in Lakhs)

Particulars	As at March 31, 2020		As at March 31, 2019	
	Nos	Amount	Nos	Amount
Unquoted:				
Face value of USD 22,600 each fully paid:				
ARC Ratings Holdings Limited	20	287.27	20	242.10
Face value of RM 1 each fully paid:				
Malaysian Rating Corporation Berhad	20,00,000	1,093.19	20,00,000	1,123.63
Total Unquoted Investments		1,380.46		1,365.73
Quoted:				
Investment measured at Amortized Cost				
Tax free Bonds		3,676.71		3,693.81
Investment measured at Fair value through Profit & Loss				-
Investment in Various Fixed Maturity Plans of Debt Mutual Funds		17,553.15		19,887.66
Total Quoted Investments		21,229.86		23,581.47
Total Investments		22,610.32		24,947.20
Aggregate amount of Quoted Investments		21,229.86		23,581.47
Market Value of Quoted Investments		21,708.47		23,905.84
Aggregate amount of Unquoted Investments		1,380.46		1,365.73
Aggregate amount of impairment in value of Investment		-		-

Note 4

Loans

(Rs. in Lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
(Unsecured and Considered Good)		
Loan to Employees	50.45	60.97
Security Deposits	126.77	131.91
Total	177.22	192.88

Note 5

Other Non-Current Financial Assets

(Rs. in Lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
Accrued Interest on Loans to Employees	7.74	9.44
Total	7.74	9.44

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2020

Note 6

Deferred Tax Asset (Net)

(Rs. in Lakhs)

<i>Particulars</i>	<i>As at March 31, 2020</i>	<i>As at March 31, 2019</i>
Deferred Tax Asset	121.77	70.53
MAT Credit Entitlement	52.18	52.19
Fixed Assets	-	2.59
Provisions allowed under tax on payment basis	69.59	15.75
Others	-	-
Deferred Tax Liability	(23.65)	-
Others	(23.65)	-
Total	98.12	70.53

Note 7

Other Non-Current Assets

(Rs. in Lakhs)

<i>Particulars</i>	<i>As at March 31, 2020</i>	<i>As at March 31, 2019</i>
Capital Advances	4.63	-
Prepaid Expenses	15.54	46.37
Total	20.17	46.37

Note 8

Investments – Current

(Rs. in Lakhs)

<i>Particulars</i>	<i>As at March 31, 2020</i>	<i>As at March 31, 2019</i>
Quoted		
Investment measured at Fair value through Profit & Loss:		
Investment in Various Open - Ended Debt Mutual Funds	7,188.31	18,919.00
Investment in Various Fixed Maturity Plans of Debt Mutual Funds	4,097.15	-
Total Quoted Investments	11,285.46	18,919.00
Total Unquoted Investments	-	-
Total Current Investments	11,285.46	18,919.00
Aggregate amount of Quoted Investments	11,285.46	18,919.00
Market Value of Quoted Investments	11,285.46	18,919.00
Aggregate amount of Unquoted Investments	-	-
Aggregate Amount impairment in value of Investment	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2020

Note 9

Trade Receivables

(Rs. in Lakhs)

<i>Particulars</i>	<i>As at March 31, 2020</i>	<i>As at March 31, 2019</i>
Unsecured		
Considered Good	4,089.38	4,725.91
Significant increase in Credit Risk	1,094.36	262.24
Total Debtors	5,183.74	4,988.15
Less: Allowance for Credit Loss (Refer Note 48)	(1094.36)	(262.24)
Total	4,089.38	4725.91

Note 10

Cash and Cash Equivalents

(Rs. in Lakhs)

<i>Particulars</i>	<i>As at March 31, 2020</i>	<i>As at March 31, 2019</i>
Cash and cash equivalents		
Cash on hand	1.20	0.99
Balances with Banks		
On Current Account	289.37	1,138.73
Other Bank Balances		
Deposit Accounts (Less than 3 months)	407.78	842.44
Prepaid Cards	1.12	-
Total	699.47	1,982.16

Note 11

Bank Balances other than Cash and Cash Equivalents

(Rs. in Lakhs)

<i>Particulars</i>	<i>As at March 31, 2020</i>	<i>As at March 31, 2019</i>
Unclaimed Dividend Account	29.84	22.60
Money Due for Refund of Share Application	-	12.62
Bank Deposit Accounts	10,569.51	903.36
Lien marked Deposit	158.51	98.60
Total	10,757.86	1,037.18

Note 12

Loans

(Rs. in Lakhs)

<i>Particulars</i>	<i>As at March 31, 2020</i>	<i>As at March 31, 2019</i>
(Unsecured and Considered Good)		
Loans to Employees	38.48	42.16
Security Deposits	31.59	23.84
Total	70.07	66.00

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2020

Note 13

Other Current Financial Assets

(Rs. in Lakhs)

<i>Particulars</i>	<i>As at March 31, 2020</i>	<i>As at March 31, 2019</i>
Interest Accrued on Investments	329.39	115.86
Interest Accrued on Loans to Employees	2.81	4.24
Other receivables	-	63.93
Total	332.20	184.03

Note 14

Contract Assets

(Rs. in Lakhs)

<i>Particulars</i>	<i>As at March 31, 2020</i>	<i>As at March 31, 2019</i>
Unbilled Revenue	867.94	623.61
Less: Loss Allowance	-	(62.87)
Total	867.94	560.74

Note 15

Current Tax Assets (Net)

(Rs. in Lakhs)

<i>Particulars</i>	<i>As at March 31, 2020</i>	<i>As at March 31, 2019</i>
Advance payment of taxes (Net of provision for tax Rs.95.52 Lacs (PY Rs.74.08 Lacs))	1,221.54	125.85
Total	1,221.54	125.85

Note 16

Other Current Assets

(Rs. in Lakhs)

<i>Particulars</i>	<i>As at March 31, 2020</i>	<i>As at March 31, 2019</i>
Prepaid Expenses	158.38	164.28
GST, Other taxes and Statutory Deposits	42.84	44.62
Other Advances	56.80	46.43
Other Receivables	44.18	80.87
Total	302.20	336.20

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2020

Note 17

Equity Share Capital

(Rs. in Lakhs)

Particulars	As at March 31, 2020		As at March 31, 2019	
	Number	Amount	Number	Amount
Authorized				
Equity Shares of Rs.10/- each	3,00,00,000	3,000.00	3,00,00,000	3,000.00
Issued, subscribed and fully paid up				
Equity Shares of Rs.10/- each	2,94,61,214	2,946.12	2,94,61,214	2,946.12
Total	2,94,61,214	2,946.12	2,94,61,214	2,946.12

17(a): List of shareholders holding more than 5% of Paid Up Equity Share Capital

Particulars	As at March 31, 2020		As at March 31, 2019	
	Nos.	% Holding	Nos.	% Holding
Life Insurance Corporation Of India and LIC P&GS Fund	29,02,136	9.85%	29,02,136	9.85%
CRISIL Limited	26,22,431	8.90%	26,22,431	8.90%
Aditya Birla Sun Life Trustee Private Limited A/C - Aditya Birla Sun Life Dividend Yield Fund	17,87,077	6.07%	-	-
Franklin Templeton Investment Funds and Franklin India Smaller Companies Fund*	-	-	22,34,890	7.59%
Stichting Depository APG Emerging Markets Equity	-	-	20,14,700	6.84%

*Following companies are covered to calculate more than 5% shareholding.

Particulars	As at March 31, 2020		As at March 31, 2019	
	Nos.	% Holding	Nos.	% Holding
Franklin India Smaller Companies Fund	-	-	10,54,044	3.58%
Franklin Templeton Investment Funds	-	-	11,80,846	4.01%
Total	-	-	22,34,890	7.59%

17(b): The reconciliation of the number of shares outstanding is set out below:

(Rs. in Lakhs)

Particulars	As at March 31, 2020 Nos.	As at March 31, 2019 Nos.
Equity Shares at the beginning of the year	2,94,61,214	2,94,61,214
Add: Shares issued under Employees Stock Options Scheme (ESOS)	-	-
Equity Shares at the end of the year	2,94,61,214	2,94,61,214

17(c): The Company does not have a Holding Company.

17(d): Shares reserved for issue under options and contracts, including the terms and amounts:

For details of Shares reserved for issue under the Employee Stock Option Plan (ESOP) of the Group: Refer Note 38

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2020

17(e): Terms/Right attached to Equity Shares:

The Company has only one class of equity shares having a par value of Rs.10/- per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian Rupees. The dividend proposed by the Board of Directors is subject to approval of the shareholders at the ensuing Annual General Meeting.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

Note 18

Other Equity

(Rs. in Lakhs)

<i>Particulars</i>	<i>As at March 31, 2020</i>	<i>As at March 31, 2019</i>
Capital Redemption Reserve	22.50	22.50
Securities Premium Reserve	6,517.63	6,517.63
Employees Stock Options Outstanding Reserve	2,351.56	2,138.63
General Reserve	19,796.93	19,475.35
Retained Earnings	21,609.65	23,816.91
Foreign Currency Translation Reserve	(15.91)	(6.61)
Other Comprehensive Income	97.91	86.89
Total	50,380.27	52,051.30

The Description of the Nature and Purpose of each reserve within equity is as follows:

a. Capital Redemption Reserve

Capital Redemption Reserve represents nominal value of shares credited at the time of buyback of shares

b. Securities Premium Reserve

Securities Premium Reserve is credited when the shares are issued at premium. It is utilized in accordance with the provision of the Companies Act, to issue bonus shares, to provide for premium on redemption of shares, equity related expenses like underwriting costs, etc.

c. Employees Stock Options Outstanding Reserve

The Company has Share Options Scheme under which option to subscribe for the Company's shares have been granted to selected employees. Refer Note 38 for further details of this plan.

d. General Reserve

In earlier years, the Company has transferred a portion of the net profits of the Company to General Reserve before declaring dividends. Mandatory transfer to General Reserve is not required under the Companies Act, 2013.

Note 19

Other Non-Current Financial Liabilities

(Rs. in Lakhs)

<i>Particulars</i>	<i>As at March 31, 2020</i>	<i>As at March 31, 2019</i>
Lease Liabilities (Refer Note 46)	830.80	-
Total	830.80	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2020

Note 20

Provisions

(Rs. in Lakhs)

<i>Particulars</i>	<i>As at March 31, 2020</i>	<i>As at March 31, 2019</i>
Provision for Compensated Absence	655.33	569.00
Provision for Gratuity	173.76	73.37
Total	829.09	642.37

Note 21

Deferred Tax Liabilities (Net)

(Rs. in Lakhs)

<i>Particulars</i>	<i>As at March 31, 2020</i>	<i>As at March 31, 2019</i>
Depreciation on Fixed Assets	917.61	883.53
Fair Valuation of Investments	609.40	321.56
Others	0.51	-
Deferred Tax Liability	1,527.52	1,205.09
Provision for Compensated Absence	195.04	269.24
Provision for Gratuity	79.79	82.86
Provision for Doubtful Debts	252.07	101.11
Others	391.13	11.01
Deferred Tax Asset	918.03	464.23
Total	609.49	740.86

Note 22

Other Current Financial Liabilities

(Rs. in Lakhs)

<i>Particulars</i>	<i>As at March 31, 2020</i>	<i>As at March 31, 2019</i>
Sundry Creditors for Expenses		
(a) Total outstanding dues of micro enterprises and small enterprises	6.05	33.26
(b) Total outstanding dues of creditors other than microenterprises and small enterprises	149.73	61.46
Other Liabilities	4.35	0.37
Unclaimed Dividend	29.84	22.60
Money Due for Refund for Share Application	-	12.62
Provision for Salary, Performance Related Pay & Commission	716.32	797.62
Lease Liabilities	289.43	
Total	1,195.72	927.93

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2020

Note 23

Other Current Liabilities

(Rs. in Lakhs)

<i>Particulars</i>	<i>As at March 31, 2020</i>	<i>As at March 31, 2019</i>
Other Liabilities	849.15	1,097.34
Statutory Dues	0.51	20.32
Provision for Expenses	593.36	216.26
Total	1,443.02	1,333.92

Note 24

Contract Liabilities

(Rs. in Lakhs)

<i>Particulars</i>	<i>As at March 31, 2020</i>	<i>As at March 31, 2019</i>
Unearned Revenue	973.95	1,130.75
Advance from Customers	1,894.26	907.80
Total	2,868.21	2,038.55

Revenue recognized that was included in contract liability balance at the beginning of the period

(Rs. in Lakhs)

<i>Particulars</i>	<i>As at March 31, 2020</i>	<i>As at March 31, 2019</i>
Rating Income	1,421.52	1,775.68
Total Other Equity	1,421.52	1,775.68

Note 25

Provisions – Current

(Rs. in Lakhs)

<i>Particulars</i>	<i>As at March 31, 2020</i>	<i>As at March 31, 2019</i>
Provision for Compensated Absence	113.41	106.37
Provision for Gratuity	209.48	197.11
Provision for Staff Bonus	12.93	-
Provision for Leave Travel Allowance	114.57	101.88
Total	450.39	405.36

Note 26

Current Tax Liability (Net)

(Rs. in Lakhs)

<i>Particulars</i>	<i>As at March 31, 2020</i>	<i>As at March 31, 2019</i>
Provision for Income Tax (Net of Advance Tax & TDS - Nil) (Previous Year - Net of Advance Tax & TDS - Rs.56,161.57 Lacs)	24.67	189.17
Total	24.67	189.17

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2020

Note 27

Revenue From Operations

(Rs. in Lakhs)

<i>Particulars</i>	<i>For the year ended March 31, 2020</i>	<i>For the year ended March 31, 2019</i>
Sale of Services		
Rating Income (including Surveillance)	22,544.36	29,859.43
Fee for Consultancy Services	289.86	304.65
Fees for License & implementation fees	1,445.91	1,459.34
Sale of Publications / Information Services	58.14	257.86
Training Fees	25.76	15.26
Other Operating Revenue	-	0.37
Total	24,364.03	31,896.91

Revenue recognized from past performance obligations:

(Rs. in Lakhs)

<i>Particulars</i>	<i>For the year ended March 31, 2020</i>	<i>For the year ended March 31, 2019</i>
Rating Income	257.14	304.92
Total	257.14	304.92

Note 28

Other Income

(Rs. in Lakhs)

<i>Particulars</i>	<i>For the year ended March 31, 2020</i>	<i>For the year ended March 31, 2019</i>
Interest Income	623.17	383.02
Dividend Income	655.34	1,060.09
Notional Income on Fair Value of Security Deposits	1.30	-
Net gain on sale of investments	-	60.62
Gain on Fair Valuation of Investments through Profit and Loss	1,761.97	1,427.69
Miscellaneous Income	104.98	107.79
Total	3,146.76	3,039.21

Note 29

Employee Benefits Expense

(Rs. in Lakhs)

<i>Particulars</i>	<i>For the year ended March 31, 2020</i>	<i>For the year ended March 31, 2019</i>
Salaries and Other Allowances	9,453.68	8,190.77
Contribution to Provident, Gratuity & Other Funds (Refer Note 32)	653.63	530.91
Expense on Employee Stock Option Scheme (Refer Note 36)	534.51	1,273.73
Staff Welfare Expenses	285.55	285.26
Total	10,927.37	10,280.67

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2020

Note 30

Finance Cost

(Rs. in Lakhs)

<i>Particulars</i>	<i>For the year ended March 31, 2020</i>	<i>For the year ended March 31, 2019</i>
Finance cost on Lease Liabilities (Refer Note 46)	92.75	-
Total	92.75	-

Note 31 : Other Expenses

(Rs. in Lakhs)

<i>Particulars</i>	<i>For the year ended March 31, 2020</i>	<i>For the year ended March 31, 2019</i>
Electricity Charges	132.73	124.55
Postage & Telephone Charges	118.82	115.39
Rent	14.01	337.45
Travelling & Conveyance Expenses	441.06	434.17
Directors' Sitting Fees	124.42	95.92
Insurance Premium	37.23	18.33

Note 31

Other Expenses

(Rs. in Lakhs)

<i>Particulars</i>	<i>For the year ended March 31, 2020</i>	<i>For the year ended March 31, 2019</i>
Legal Expenses	153.53	29.04
Professional Fees	790.69	314.16
Business Development Associate Fees	543.69	732.06
Rates & Taxes	260.18	33.97
Repairs & Maintenance		
Buildings	97.63	94.84
Others	218.50	171.26
Advertisement and Sponsorship Expenses	51.44	71.25
Security, Housekeeping & Office Supplies	239.90	192.98
Membership & Subscription	87.93	91.68
Corporate Training Expenses	5.63	8.12
Provision for Bad and Doubtful Debts	769.24	132.68
Bad Debts written off	262.01	64.21
Commission	155.39	362.01
Auditors Remuneration	36.34	34.56
Corporate Social Responsibility	526.82	383.65
Miscellaneous Expenses	237.43	307.35
Total	5,304.62	4,149.63

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2020

Note 32

Contingent Liabilities (Ind AS 37)

A. Claims against the Group not acknowledged as debts (to the extent not provided for):

(Rs. in Lakhs)

<i>Particulars</i>	<i>As at March 31, 2020</i>	<i>As at March 31, 2019</i>
Contingent Liability on account of Income Tax	72.51	62.26

- B.** Pending outcome of adjudication proceedings initiated by Regulator / Government agencies pertaining to certain Credit ratings assigned by the Company to its clients, which is being responded by the Company, the Company has made provision for penalty of Rs.100 Lakhs in one of the case on prudent basis.
- C.** Guarantees given by Bank on behalf of the Group in respect of lien marked Deposits for 158.50 Lacs (Previous Year Rs.98.60 Lakhs)
- D.** The Hon'ble Supreme Court of India ("SC") by their order dated February 28, 2019, in the case of Surya Roshani Limited & others v/s EPFO, set out the principles based on which allowances paid to the employees should be identified for inclusion in basic wages for the purposes of computation of Provident Fund contribution. Subsequently, a review petition against this decision has been filed and is pending before the SC for disposal.

Pending decision on the subject review petition and directions from the EPFO, the impact, if any, is not ascertainable and consequently no effect has been given in the accounts.

Note 33: Capital and Other Commitments

Amounts pending on account of contracts remaining to be executed on capital account, not provided for (net of advances) is Rs.3.97 Lacs (March 31, 2019 - Nil).

The Group has a process whereby periodically all long term contracts are assessed for material foreseeable losses. At the year end, the Group has reviewed and ensured that adequate provision as required under any law/accounting standards for material foreseeable losses on such long term contracts has been made in the books of account.

Note 34: Employee Benefits (Ind AS 19)

(A) Defined Benefit Plans:

Gratuity:

The gratuity payable to employees is based on the employee's service and last drawn salary at the time of leaving the services of the Company and is in accordance with the rules of the Company for payment of gratuity. The Group accounts for the liability based on actuarial valuation.

Inherent Risk on above:

The plan is defined in nature which is sponsored by the Company and hence it underwrites all the risks pertaining to the plan. In particular, this exposes the Group to actuarial risk such as adverse salary growth, change in demographic experience, in-adequate return on underlying plan assets. This may result in an increase in cost of providing these benefits to the employees in future. Since the benefits are lump sum in nature, the plan is not subject to any longevity risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2020

(Rs. in Lakhs)

Particulars	Gratuity	
	As at March 31, 2020	As at March 31, 2019
Change in Present value of Obligations:		
Opening Defined Benefit Obligation	922.78	640.18
Current Service Cost	190.55	121.87
Interest Cost	71.52	50.21
Actuarial (Gain)/Loss	-	2.45
Actuarial (Gain)/Loss on Obligations Due to change in Financial Assumptions	99.92	71.30
Actuarial (Gains)/Losses on Obligations - Due to Change in Demographic Assumptions	27.10	69.59
Actuarial (Gain)/Loss on Obligations Due to Experience	(17.48)	44.24
Benefits Paid	(155.65)	(77.06)
Closing Defined Benefit Obligations	1,138.74	922.78
Change in Fair Value of Plan Assets:		
Opening Fair Value of the Plan Assets	655.38	356.20
Interest income	51.05	28.03
Expected Return on Plan Assets	-	3.49
Actuarial Gain/(Loss)	(8.54)	-
Contribution by the Employer	213.43	344.72
Benefits Paid	(155.65)	(77.06)
Closing Fair Value of the Plan Assets	755.67	655.38
Net Asset / (Liability) recognized in the Balance Sheet		
Present value of the funded defined benefit obligation at the end of the period	(1,138.75)	(922.78)
Fair Value of Plan Assets	755.69	655.38
Net Asset / (Liability)	(383.06)	(267.40)
Expenses recognized in the Statement of Profit & Loss		
Current Service Cost	190.55	121.87
Interest on Defined Benefit Obligations	20.47	20.43
Past Service Cost		
Expected Return on Plan Assets		
Amount recognized in Statement of Profit and Loss	211.02	142.30
Re-measurements recognized in Other Comprehensive Income(OCI):		
Actuarial (Gains)/Losses on Obligation For the Period)	108.58	185.13
Changes in Financial Assumptions	0.04	3.81
Changes in Demographic Assumptions		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2020

(Rs. in Lakhs)

Particulars	Gratuity	
	As at March 31, 2020	As at March 31, 2019
Experience Adjustments	0.92	(0.78)
Expected Return on Plan Assets	8.54	(3.49)
Amount recognized in Other Comprehensive Income(OCI)	118.08	184.67
Maturity Profile of Defined Benefit Obligation:		
Within the next 12 months	62.82	55.17
Between 1 and 5 years	299.96	247.52
Between 5 and 10 years	459.93	325.20
10 Years and above	1,735.46	1,903.56
“Sensitivity analysis for significant assumptions:”*		
Increase/(Decrease) on present value of defined benefits obligation at the end of the year		
1% increase in discount rate	(38.53)	(54.90)
1% decrease in discount rate	188.88	134.84
1% increase in salary escalation rate	147.69	102.34
1% decrease in salary escalation rate	(11.11)	(36.30)
1% increase in employee turnover rate	82.12	56.11
1% decrease in employee turnover rate	46.90	4.35
The major categories of plan assets as a percentage of total plan		
Insurer Managed Funds**	100%	100%
Actuarial Assumptions:		
Discount Rate (p.a.)	6.59% - 6.84%	7.78%-7.79%
Expected Return on Plan Assets (p.a.)	6.59% - 6.84%	7.79%
Turnover Rate	5%	4%-5%
Mortality tables	Indian Assured Lives Mortality (2006-08) & (2012-14)	“Indian Assured Lives Mortality (2006-08)”
Salary Escalation Rate (p.a.)	6%-7%	6%-7%
Retirement age	60 Years	59 years
Weighted Average duration of Defined benefit obligation	11-20.29	14-18.09

* The plan is defined in nature which is sponsored by the Company and hence it underwrites all the risks pertaining to the plan. In particular, this exposes the Group to actuarial risk such as adverse salary growth, change in demographic experience, in-adequate return on underlying plan assets. This may result in an increase in cost of providing these benefits to the employees in future. Since the benefits are lump sum in nature, the plan is not subject to any longevity risk.

** Status of CARE Ratings & CRSP is funded & unfunded respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2020

Basis used to determine Expected Rate of Return on Plan Assets:

Expected rate of return on Plan Assets is based on expectation of the average long term rate of return expected on investments of the fund during the estimated term of the obligations

Salary Escalation Rate:

Salary escalation rates are determined taking into account seniority, promotion, and other relevant factors.

Asset Liability matching strategy

The plan faces the ALM risk as to the matching cash flow. Since the plan is invested in lines of Rule 101 of Income Tax Rules, 1962, this generally reduces ALM risk.

The Group's expected contribution during next year is Rs. 211.64 Lacs.

B. Compensated Absences:

The compensated absences cover the Group's liability for earned leave. Long term compensated absences are determined on the basis of actuarial valuation made at the end of each financial year using the projected unit credit method. Short term compensated absences are provided for based on estimates. Amount recognized as an expense in respect of Compensated Absences is Rs.587.56 Lacs (March31, 2019-Rs.539.66 Lacs).

C. Defined Contribution Plans:

Amount recognized as an expense and included in Note 26 under the head "Contribution to Provident and other Funds" of Statement of Profit and Loss is Rs.333.87 Lacs (Previous Year - Rs. 294.90 Lacs).

D. Superannuation Benefits:

Superannuation Benefits is contributed by the Company to Life Insurance Corporation of India (LIC) @ 10% of basic salary with respect to certain employees.

Contribution to Superannuation Fund contribution charged to Statement of Profit & Loss in Note 24 under the head "Contribution to Provident and other Funds" is Rs.36.42 Lacs (Previous Year Rs. Rs.48.34 Lacs)

Note 35: Related Party Disclosures pursuant to Ind AS 24 (TBU)

A. Related Parties with whom there were transactions during the year:

<i>Name of Related Parties</i>	<i>Nature of Relationship</i>
Key Management Personnel:	
Mr. S.B Mainak (Upto February 11, 2020)	Chairman
Ms. Sadhana Dhamane (upto August 06, 2019)	Non-executive Director
Mr. V Chandrasekaran	Non-Executive Director
Mr. Adesh Kumar Gupta	Independent Director
Ms. Sonal Gunvant Desai	Independent Director
Mr. Najib Shah (w.e.f. July 17, 2019)	Independent Director
Dr. M Mathisekaran (w.e.f. August 19,2019)	Independent Director
Mr. Ananth Narayan Gopalakrishnan (w.e.f. August 19, 2019)	Independent Director
Mr.Rajesh Mokashi (upto July 17, 2019)	Managing Director & CEO
Mr. Mehul Pandya	Executive Director
Mr. T.N.Arun Kumar (Upto July 17, 2019)	Executive Director
Mr. T.N.Arun Kumar (w.e.f. July 17, 2019)	Interim CEO
Mr. NitinKumar Agrawal (Upto July 18, 2019)	Chief Financial Officer

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2020

Mr. Bharat Assudomal Adnani (w.e.f. August 19, 2019)	Chief Financial Officer
Mr. Navin Kumar Jain	Executive Director & Company Secretary

B. Compensation of Key Management Personnel of the Group:

<i>Nature of Transaction/Relationship</i>	<i>As at March 31, 2020</i>	<i>As at March 31, 2019</i>
Short Term Employee Benefits	400.85	544.58
Other Long Terms Benefits	10.13	20.73
Share Based Payments *	104.80	199.93
Directors Sitting Fees	124.10	95.62
Total Compensation	639.88	860.86

Remuneration does not include provision made for compensated absence, gratuity since the same is provided for the company as a whole based on independent actuarial valuation except to the extent of amount paid.

*Share based payments refer to amounts charged to the statement of Profit & Loss account, being charge on ESOP granted to Key Management Personnel as per ESOS 2017 scheme based on Fair Value method.

Note 36

Income Taxes (Ind AS 12)

A. Income tax recognized in Statement of Profit and Loss:

(Rs. in Lakhs)

<i>Particulars</i>	<i>As at March 31, 2020</i>	<i>As at March 31, 2019</i>
Current Tax	2,213.86	6,024.03
Deferred Tax	(132.90)	341.97
Adjustment of Tax of Earlier Years	(19.65)	-
Total	2,061.31	6,366.00

B. Reconciliation of Effective Tax Rate:

<i>Particulars</i>	<i>Year ended March 31, 2020</i>	<i>Year ended March 31, 2019</i>
Applicable Tax Rate	25.17%	34.94%
Tax Effect of Tax Exempt Income	(2.35%)	(2.28%)
Tax Effect of Non Deductible Expenses	2.80%	5.06%
Tax Effect of Allowances for Tax Purpose	(5.82%)	(6.16%)
Effective Tax Rate	19.80%	31.56%

The Government of India, on September 20, 2019, vide the Taxation Laws (Amendment) Ordinance 2019, inserted a new Section 115BAA in the Income Tax Act, 1961, which provides an option to the Company for paying Income Tax at reduced rates as per the provisions/conditions defined in the said section. The Company has opted to pay the tax under section 115BAA of the Income Tax Act, 1961. Accordingly, (a) the provision for current and deferred tax has been determined at the rate of 25.17%, (b) the deferred tax assets and deferred tax liabilities as on April 1, 2019 have been restated at the rate of 25.17%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2020

Note 37

Earnings per Share (EPS) (Ind AS 33):

<i>Particulars</i>	<i>Year ended March 31, 2020</i>	<i>Year ended March 31, 2019</i>
A) Basic EPS		
(i) Net Profit attributable to Equity Shareholders (Rs. in Lacs)	8,237.01	13,747.24
(ii) Weighted average number of Equity shares outstanding (Nos.)	2,94,61,214	2,94,61,214
Basic Earnings Per Share (i)/(ii)	27.96	46.66
B) Diluted EPS		
(i) Weighted average number of Equity shares outstanding (Nos.)	2,94,61,214	2,94,61,214
(ii) Add: Potential Equity Shares on exercise of option (Nos.)	-	-
(iii) Weighted average number of Equity Shares Outstanding for calculation of Dilutive EPS	2,94,61,214	2,94,61,214
Diluted EPS {(A)(i)/(B)(iii)}	27.96	46.66

Note 38

Share Based Payments (Ind AS 102)

The Group had granted 5,37,908 stock options to its eligible employees in as per the ESOS Schemes, details are as under:

A. Employees Stock Option Scheme :

<i>Particulars</i>	<i>ESOS 2017</i>
Nos. of Options	5,37,908
Method of Accounting	Fair Value method
Vesting Plan	2 years from the date of grant i.e. September 01,2019
Exercise Period	2 years after the vesting period i.e. September 01,2021
Grant Date	September 01,2017
Exercise Price (Per Share)	Rs.1139/- per share
Fair Value on the date of Grant of Option (Per Share)	Rs.1506.65/- per share
Method of Settlement	Equity

B. Movement of Options granted:

<i>Particulars</i>	<i>As at March 31, 2020</i>	<i>As at March 31, 2019</i>
	<i>ESOS (2017)</i>	<i>ESOS (2017)</i>
Options Outstanding at beginning of the year	4,77,458	5,24,108
Granted during the year	-	-
Exercised during the year	-	-
Lapsed during the year	61,838	46,650
Options Outstanding at the end of the year	4,15,620	4,77,458
Options unvested at the end of year	-	-
Options exercisable at the end of the year	4,15,620	4,77,458
Weighted Average exercise price	1,139	1,139

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2020

i) ESOS 2017: The weighted average remaining contractual life for the stock options outstanding as at March 31, 2020 is Nil Years (Previous Year - 0.42 years).

The ESOS compensation cost is amortized on a straight-line basis over the total vesting period of the options. Accordingly, for ESOS 2017, an amount of Rs.534.51 Lacs (Previous Year 1,273.73 Lacs) has been charged to the current year Statement of Profit and Loss. In respect of ESOS 2013, an amount of Nil (Previous Year Nil) has been charged to the current year Statement of Profit and Loss.

C. Fair Valuation:

The fair value of the options used to compute proforma net profit and earnings per share have been done by an independent valuer on the date of grant using Black - Scholes Formula. The key assumptions and the Fair Value are as under:

Particular	ESOS 2017
Risk Free Interest Rate (%)	6.39%
Option Life (Years)	3 years
Expected Volatility	31.80%
Expected Dividend Yield (%)	1.86%
Weighted Average Fair Value per Option	Rs.565.79

D. Details of the liabilities arising from the Share based payments were as follows:

(Rs. in Lakhs)

Particular	As at March 31, 2020	As at March 31, 2019
Total Carrying Amount	2,351.56	2,138.63

Note 39: Financial Instruments: Disclosure (Ind AS 107):

A. Classification of Financial Assets and Liabilities (Ind AS 107):

(Rs. in Lakhs)

Particular	As at March 31, 2020	As at March 31, 2019
Financial assets at Amortized cost:		
Investment (Non-Current)	3,676.72	3,693.81
Loans (Non-Current)	177.22	192.88
Loans (Current)	70.07	66.00
Trade Receivables	4,089.38	4,725.91
Cash and Cash Equivalents	699.46	1,982.16
Other Bank Balances	10,757.86	1,037.18
Other Non-Current Financial Assets	7.74	9.44
Other Current Financial Assets	332.20	184.03
Contract Assets	867.94	560.74
Financial assets at Fair Value through P&L:		
Investment (Non-Current)	17,553.15	19,887.66
Investment (Current)	11,285.46	18,919.00
Financial assets at Fair Value through OCI:		
Investment (Non-Current)	1,380.46	1,365.74
Total	50,897.66	52,624.55

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2020

<i>Particular</i>	<i>As at March 31, 2020</i>	<i>As at March 31, 2019</i>
Financial liabilities at Amortized cost:		
Other Non-Current Financial Liability	830.80	-
Other Current Financial Liability	1,195.72	927.93
Total	1,195.72	927.93

B. Investments in equity instruments designated at Fair Value through Other Comprehensive Income

As on March 31, 2020 and March 31, 2019, The Group has investments in ARC Ratings holding Limited of 20 Ordinary Shares of USD 22,600 each and 20,00,000 ordinary shares of RM 1 each in Malaysian Rating Corporation Berhad. The Group has opted to designate these investments at Fair Value through Other Comprehensive Income since these investments are not held for trading.

The fair value of each of these investments is as below:

(Rs. in Lakhs)

<i>Particular</i>	<i>As at March 31, 2020</i>	<i>As at March 31, 2019</i>
Financial assets at Fair Value through OCI:		
- Malaysian Rating Corporation Berhad	1,093.19	1,123.64
- ARC Ratings Holdings Limited	287.27	242.10
Total	1,380.46	1,365.74

The Group has received Rs.32.92 Lacs (Previous Year March 2019 Rs.42.70 Lacs) as Dividend and has recognized in the Statement of Profit & Loss under Note 28 - Other Income. There has been no transfer in investment during any period.

Note 40: Fair Value measurement (Ind AS 113):

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The Group has established the following fair value hierarchy that categorizes the values into 3 levels. The inputs to valuation techniques used to measure fair value of financial instruments are:

Level 1:

This hierarchy uses quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2:

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on company specific estimates. The investments in mutual funds are valued using the closing Net Asset Value based on the mutual fund statements received by the Group. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

Level 3:

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. The fair valuation of investment in Equity Shares of Malaysian Rating Corporation Berhad and ARC Ratings Holdings Limited is classified under Level 3. The details are given in the table below:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2020

(Rs. in Lakhs)

Particular	Level 1	Level 2	Level 3
As at March 31, 2020			
Investments measured at			
Fair Value through OCI	-	-	1,380.46
Fair Value through Profit and Loss	7,188.31	21,650.29	-
Amortized cost	3,676.72	-	-
As at March 31, 2019			
Investments measured at			
Fair Value through OCI:	-	-	1,365.74
Fair Value through Profit and Loss:	18,919.00	19,887.66	-
Amortized cost	3,693.81	-	-

For financial instruments other than covered above, their carrying values approximate their fair values.

The Group has utilized the expertise of the in-house team to value the investments in Malaysian Rating Corporation Berhad and ARC Ratings Holdings Limited. For investment in Preference Shares of CARE Risk Solutions Private Limited, the Group has availed services of in-house valuation team. The auditors have relied upon the reports provided by the said valuers.

The following methods and assumptions were used to estimate the fair values:

- The fair values of the quoted investments/units of mutual fund schemes are based on market price/net asset value at the reporting date.
- For Malaysian Rating Corporation Berhad, valuation is based on average of book value method and price to earnings method.
- The Group had adopted Net Asset Method for Valuation of Investments in ARC Ratings Holdings Ltd.
- For Investment in Preference share investment in CARE Risk Solutions Private Limited, valuation is done based on Black & Scholes option pricing Model and discounted cash flow method. Market Coupon Rate and Volatility are the significant unobservable inputs. Discount rate used are: March 31, 2020: 7.80% and March 31, 2019: 8.40%
0.5% decrease in discount rate will result in increase in fair value by Rs.6.67 Lacs. Similarly, 0.5% increase in discount rate will result in decrease in fair value by Rs.6.61 Lacs.

Note 41: Financial Risk Management Objectives and Policies (Ind AS 107):

The Group is a Debt Free Group. The principal financial liabilities of the Group comprise of Other liabilities and Provisions which arise on account of normal course of business. The Group's principal financial assets include Investments, Trade Receivables, Cash and Cash Equivalents and Other Bank Balances.

The Group is exposed to Market Risk, Credit Risk and Liquidity Risk. The Group's senior management oversees the management of these risks. The senior management ensures that the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives.

The Management of the Group updates its Board of Directors on periodic basis about various risks to the business and status of Various activities planned to mitigate the risk.

The Group has exposure to the following risks arising from financial instruments:

A. Market Risk

Market risk is the risk that the fair value or future cash flows of such financial instrument will be impacted because of various financial and non-financial market factors. The financial instruments affected by market risk include the investment in Mutual

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2020

Funds and investment in Equity Shares of companies incorporated and operating outside India. The investment in mutual funds are fair valued using the closing Net Asset Value based on the mutual fund statements received by the Group at the end of each Reporting period.

There is no Interest rate risk since the Group does not hold any financial instrument whose fair value or future cash flows will fluctuate because of changes in market interest rates.

The following table shows foreign currency exposures in USD, MRF, LKR and MUR on financial instruments at the end of the reporting period. The exposures to foreign currency for all other currencies are not material. The Group does not hedge its foreign currency exposure.

Particulars	Currency	As at March 31, 2020		As at March 31, 2019	
		Amount in FC	Amount Rs. in Lacs	Amount in FC	Amount Rs. in Lacs
Trade Receivables	USD	6.73	507.53	5.61	387.74
Trade Receivables	LKR	89.58	34.62	89.58	35.05
Unbilled Revenue	USD	8.88	669.42	6.89	477.49
Unbilled Revenue	LKR	5.19	2.00	5.19	2.03
Other Receivable	MUR	6.06	11.19	3.50	6.84
Bank Balances					
SBI Maldives - USD account	USD	0.47	1.92	0.01	0.41
SBI Maldives - MRF account	MRF	0.01	0.41	0.47	1.92

Foreign Currency Sensitivity on un-hedged exposure:

1% increase in foreign exchange rate will have the following impact on profit before tax:

(Rs. in Lakhs)

Particular	As at March 31, 2020	As at March 31, 2019
USD	14.66	11.84
MRF	0.00	0.02
MUR	0.11	0.07
LKR	0.37	0.37

Note: If the rate is decreased by 100 bps profit will increase by an equal amount.

B. Credit Risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating (primarily Trade Receivables), investing and financing activities including Mutual Fund Investments, Investment in Debt Securities, Bank Balance, Deposits with Bank, Security Deposits, Loans to Employees and other financial instruments.

Total Trade receivables and Contract Assets as on March 31, 2020 is Rs.4,957.32 Lacs (March 31, 2019 is Rs.5,286.66 Lacs)

The Group does not have higher concentration of credit risks to a single customer.

As per simplified approach, the Group makes provision of expected credit losses on trade receivables using a provision matrix to mitigate the risk of default payments and makes appropriate provision at each reporting date wherever outstanding is for longer period and involves higher risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2020

As per the provision matrix receivables are classified into different bucket based on the overdue period, buckets range from 12 months - 18 months, 18 months - 24 months and more than 24 months. The norms of provisioning on the same range are from 25% - 100%. The management, on a case to case basis may decide to provide or write of at a higher rate with reasons whenever felt necessary.

(Rs. in Lakhs)

<i>Particular</i>	<i>As at March 31, 2020</i>	<i>As at March 31, 2019</i>
Opening Provision	325.11	206.04
Add: Provided/(Utilised) during the Year (Refer Note 48)	769.25	119.07
Closing Provision	1,094.36	325.11

Investments, Cash and Cash Equivalent and Bank Deposit:

Credit Risk on cash and cash equivalent, deposits with the banks/financial institutions is generally low as the said deposits have been made with the PSU Banks.

Investments of surplus funds are made only based on Investment Policy of the Group. Investments primarily include investment in units of mutual funds, Bonds issued by Government/ Semi Government Agencies/ PSU etc. These Mutual Funds and Counterparties have low credit risk.

C. Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The cash flows and liquidity of Group is monitored under the control of the management. The objective is to ensure that Group's surplus fund are not kept idle and invested in the financial instruments only after adequate review of such instrument and approval of the management.

The Group manages liquidity risk by maintaining adequate reserves, continuously monitoring forecasted and actual periodic cash requirement and matching the maturity profiles of financial assets and liabilities.

The Group generally has investments and liquids funds more than its forecasted and current liabilities and has not faced shortage of funds at any point of time. The Liquidity risk on the Group is very less.

The table below summarized the maturity profile of the Group's financial liabilities & Investments based on contractual undiscounted payments.

(Rs. in Lakhs)

<i>As at March 31, 2020</i>	<i>Less than 1 Year</i>	<i>1 to 5 Years</i>	<i>More than 5 Years</i>	<i>Total</i>
Other Current Financial Liabilities	1,195.72	830.80	-	2,026.51
Total	1,195.72	830.80	-	2,026.51
Investments in:				
Mutual Funds	11,285.46	17,553.15	-	28,838.61
Tax Free Bonds	-	1,815.33	1,861.38	3,676.72
Other Companies	-	1,380.46	-	1,380.46
Non-current Loans	-	177.22	-	177.22
Other Non-current Financial Assets	-	7.74	-	7.74
Trade Receivables	4,089.38	-	-	4,089.38
Cash and Cash Equivalents	699.47	-	-	699.47

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for the year ended March 31, 2020

<i>As at March 31, 2020</i>	<i>Less than 1 Year</i>	<i>1 to 5 Years</i>	<i>More than 5 Years</i>	<i>Total</i>
Bank Balances other than Cash and Cash Equivalents	10,755.39	2.47	-	10,757.86
Loans	70.07	-	-	70.07
Other Financial Assets	332.20	-	-	332.20
Contract Assets	867.94	-	-	867.94
Total	28,099.91	20,936.37	1,861.38	50,897.67

(Rs. in Lakhs)

<i>As at March 31, 2019</i>	<i>Less than 1 Year</i>	<i>1 to 5 Years</i>	<i>More than 5 Years</i>	<i>Total</i>
Other Current Financial Liabilities	927.93	-	-	927.93
Total	927.93	-	-	927.93
Investments in:				
Mutual Funds	18,919.00	19,887.66	-	38,806.66
Tax Free Bonds	-	1,823.51	1,870.29	3,693.81
Other Companies	-	1,365.74	-	1,365.74
Non-current Loans	-	192.88	-	192.88
Other Non-current Financial Assets	-	9.44	-	9.44
Trade Receivables	4,725.91	-	-	4,725.91
Cash and Cash Equivalents	1,982.16	-	-	1,982.16
Bank Balances other than Cash and Cash Equivalents	1,037.18	-	-	1,037.18
Loans	66.00	-	-	66.00
Other Financial Assets	184.03	-	-	184.03
Contract Assets	560.74	-	-	560.74
Total	27,475.02	23,279.23	1,870.29	52,624.55

Note 42: Distribution made and proposed (Ind AS 1):

(Rs. in Lakhs)

<i>Particular</i>	<i>Year Ended March 31, 2020</i>	<i>Year Ended March 31, 2019</i>
Cash dividends on equity shares declared and paid:		
Final dividend for the year ended on 31st March, 2019:Rs. 12/- per share & Interim Dividend for the period ended till March 31, 2020 Rs. 17/- per share (31st March ,2019: Rs.37 per share)	8,543.75	10,900.65
DDT on final dividend	1,756.19	2,240.66
Total Dividend paid	10,299.94	13,141.31
Proposed dividends on Equity shares:		
Final dividend for the year ended on March 31, 2020: Rs.2.50/- Per share, (March 31, 2019: Rs.12/-per share)	736.53	3,535.35
DDT on proposed dividend	-	726.70
Total dividend proposed	736.53	4,262.05

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for the year ended March 31, 2020

Proposed dividends on equity shares are subject to approval at the Annual General Meeting and are not recognized as a liability (including Dividend Distribution Tax thereon) as at March 31 of respective year.

Note 43: Capital Management (Ind AS 1):

The Group's objectives when managing capital are to (a) maximise shareholder value and provide benefits to other stakeholders and (b) maintain an optimal capital structure to reduce the cost of capital.

For the purposes of the Group's capital management, capital includes issued capital, share premium and all other equity reserves attributable to the equity holders.

As at March 31, 2020, the Group has only one class of equity shares. Consequent to such capital structure the Group allocates its surplus funds for distribution of dividend and reinvestment as per the its investment policy for long term business plans

Note 44: Micro, Small and Medium Enterprises

Under the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED) which came into force from 2 October 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises. (Rs. in Lakhs)

<i>Particular</i>	<i>As at March 31, 2020</i>	<i>As at March 31, 2019</i>
Principal amount and interest due thereon remaining unpaid to any supplier as at the year end	6.05	33.26
Amount of interest paid by the Group in terms of section 16 of the Micro, Small and Medium Enterprises Development Act, 2006 ('MSMED Act'), along with the amount of the payment made to the supplier beyond the appointed day during the accounting year	-	-
Amount of interest accrued and remaining unpaid at the end of the accounting year	0.00	-
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the due date during the year) but without adding the interest specified under this Act.	0.00	-

This information has been determined to the extent such parties have been identified on the basis of information available with the Group and the same has been relied upon by the auditors.

Note 45: Segment Reporting (Ind AS 108):

The Group has following business segments, which are its reportable segments. Operating segment disclosures are consistent with the information provided to and reviewed by the Chief Operating Decision maker. (Rs. in Lakhs)

<i>Particulars</i>	<i>For the year ended March 31, 2020</i>			
	<i>Ratings and related services</i>	<i>Others</i>	<i>Un-allocable/ Eliminations</i>	<i>Total</i>
Segment Revenue				
Revenue from Services	22,602.50	1,881.70	-	24,484.20
Total Revenue (A)	22,602.50	1,881.70	-	24,484.20
Less: Inter Segment Revenue if any (B)	-	(120.17)	-	(120.17)
Total Segment Revenue (C = A-B)	22,602.50	1,761.53	-	24,364.03

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for the year ended March 31, 2020

<i>Particulars</i>	<i>For the year ended March 31, 2020</i>			
	<i>Ratings and related services</i>	<i>Others</i>	<i>Un-allocable/ Eliminations</i>	<i>Total</i>
Segment Results (Profit Before Interest, Depreciation & Tax)	8,106.37	25.66	-	8,132.03
Less: Depreciation & Amortization	(711.44)	(65.34)	-	(776.79)
Total Segment Result (D)	7,394.93	(39.69)	-	7,355.24
Less: Finance Costs	(78.55)	(14.20)	-	(92.75)
Less : Other un-allocable corporate expenses	-	-	-	-
Add: Other Income	-	-	3,146.76	3,146.76
Profit Before Exceptional Item & Tax	7,316.38	(53.89)	3,146.76	10,409.25
Exceptional Items - Income/Expenses	-	-	-	-
Profit Before Tax	7,316.38	(53.89)	3,146.76	10,409.25
Tax Expenses				
- Current Tax	-	-	2,213.86	2,213.86
- Deferred Tax Charge/(Credit)	-	-	(132.90)	(132.90)
- Adjustment of Tax of Earlier Years	-	-	(19.66)	(19.66)
Profit for the year	7,316.38	(53.89)	1,085.46	8,347.96
Segment Assets	25,066.75	2,144.85	-	27,211.60
Un-allocable Assets	-	-	34,690.81	34,690.81
Total Assets	25,066.75	2,144.85	34,690.81	61,902.41
Segment Liabilities	7,537.25	714.14	-	8,251.39
Un-allocable Liabilities	-	-	-	-
Total Liabilities	7,537.25	714.14	-	8,251.39
Capital Employed	17,529.50	1,430.71	34,690.81	53,651.02
Capital Expenditure	435.60	86.58	-	522.18

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for the year ended March 31, 2020

(Rs. in Lakhs)

Particulars	For the year Ended March 31, 2019			
	Ratings and related services	Others	Un-allocable/ Eliminations	Total
Segment Revenue				
Revenue from Services	30,117.29	1,873.07	-	31,990.36
Total Revenue (A)	30,117.29	1,873.07	-	31,990.36
Less: Inter Segment Revenue if any (B)	-	(93.45)	-	(93.45)
Total Segment Revenue (C = A-B)	30,117.29	1,779.62	-	31,896.91
Segment Results (Profit Before Interest, Depreciation & Tax)	17,073.15	393.45	-	17,466.61
Less: Depreciation & Amortization	(307.77)	(25.26)	-	(333.04)
Total Segment Result (D)	16,765.38	368.19	-	17,133.57
Less: Finance Costs	-	-	-	-
Less : Other un-allocable corporate expenses	-	-	-	-
Add: Other Income	-	-	3,039.21	3,039.21
Profit Before Exceptional Item & Tax	16,765.38	368.19	3,039.21	20,172.78
Exceptional Items - Income/Expenses	-	-	-	-
Profit Before Tax	16,765.38	368.19	3,039.21	20,172.78
Tax Expenses				
- Current Tax	-	-	6,024.03	6,024.03
- Deferred Tax Charge/(Credit)	-	-	341.97	341.97
Profit for the year	16,765.38	368.19	(3,326.79)	13,806.78
Segment Assets	15,399.61	1,452.30	-	16,851.91
Un-allocable Assets	-	-	44,661.23	44,661.23
Total Assets	15,399.61	1,452.30	44,661.23	61,513.14
Segment Liabilities	5,807.12	471.06	-	6,278.18
Un-allocable Liabilities	-	-	-	-
Total Liabilities	5,807.12	471.06	-	6,278.18
Capital Employed	9,592.49	981.25	44,661.23	55,234.97
Capital Expenditure	2,570.72	51.30	-	2,622.03

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for the year ended March 31, 2020

Note 46

Leases

Effective April 1, 2019, the Group adopted IND AS 116 “Leases” and applied the standard to all lease contracts existing on April 1, 2019 using the modified retrospective method and has taken the cumulative adjustment to retained earnings, on the date of initial application. Consequently, the group recorded the lease liability at the present value of the lease payments discounted at the incremental borrowing rate and the right of use asset at its carrying amount as if the standard had been applied since the commencement date of the lease, but discounted at the lessee’s incremental borrowing rate at the date of initial application. Comparatives as at and for the year ended March 31, 2019 have not been retrospectively adjusted and therefore will continue to be reported under the accounting policies included as part of our Annual Report for year ended March 31, 2019.

On transition, the adoption of the new standard resulted in recognition of ‘Right of Use’ asset of Rs.1,099.58 Lacs and a lease liability of Rs.1121.87 Lacs. The cumulative effect of applying the standard, amounting to Rs.22.29 Lacs was debited to retained earnings, net of taxes. The effect of this adoption is insignificant on the operating profit, net profit for the period and earnings per share. Ind AS 116 will result in an increase in cash inflows from operating activities and an increase in cash outflows from financing activities on account of lease payments.

The following is the summary of practical expedients elected on initial application:

1. Applied a single discount rate to a portfolio of leases of similar assets in similar economic environment with a similar end date.
2. Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term on the date of initial application.
3. Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application.
4. Applied the practical expedient to grandfather the assessment of which transactions are leases. Accordingly for all contracts as on April 1, 2019, Ind AS 116 is applied only to contracts that were previously identified as leases under Ind AS 17. The opportunity cost of investment rate applied to lease liabilities as at April 1, 2019 is 7.25% for a period varying from 1 to 5 years.

Following are the changes in the carrying value of right of use assets for the year ended March 31, 2020: (Rs. in Lakhs)

<i>Particulars</i>	<i>Category of Right-of-use Asset Leasehold premises</i>
Balance as at 1st April, 2019	1,270.67
Prepaid Rent Expense	42.69
Additions	90.83
Deletions	-
Depreciation	329.20
Balance as at 31st March, 2020	1,074.99

Amounts recognised in profit and loss for the year ended March 31, 2020:

<i>Particulars</i>	<i>(Rs. in Lakhs)</i>
Depreciation expense on right-of-use assets	329.20
Interest expense on lease liabilities	92.75
Expense relating to short-term leases	1.34
Expense relating to leases of low value assets	-
Total	423.29

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2020

The following is the break-up of current and non-current lease liabilities as at March 31, 2020

Particulars	(Rs. in Lakhs)
Current Lease Liabilities	289.43
Non-Current Lease Liabilities	830.80
Total	1,120.23

The following is the movement in lease liabilities during the year ended March 31, 2020:

Particulars	(Rs. in Lakhs)
Balance as at 1st April, 2019	1,292.96
Additions	90.83
Deletions	-
Finance Cost accrued during the period	92.75
Payment of Lease Liabilities	(356.31)
Balance as at 31st March, 2020	1,120.23

The table below provides details regarding the contractual maturities of lease liabilities as at March 31, 2020:

Particulars	(Rs. in Lakhs)	
	March 31, 2020	March 31, 2019
Less than one year	289.43	335.02
One to Five years	830.80	997.39
More than Five years	-	-
Total	1,120.23	1,332.41

Note 47

Disclosure in terms of Schedule III of the Companies Act, 2013

(Rs. in Lakhs)

Particulars	Net Assets (i.e. Total Assets minus Total Liabilities)		Share in Profit or (Loss)		Share in Other Comprehensive Income		Share in Total Comprehensive Income	
	As a % of Consoli- dated Net Assets	Amount	As a % of Conso- li- dated Profit / Loss	Amount	As a % of Other Compre- hensive Income	Amount	As a % of Total Compre- hensive Income	Amount
Holding:								
CARE Ratings Limited	99.68%	53,158.10	97.73%	8,050.19	83.57%	(70.24)	97.88%	7,979.94
Subsidiaries:								
Indian:								
CARE Risk Solutions Private Limited	0.39%	210.41	0.37%	30.50	8.15%	(6.85)	0.29%	23.65
CARE Advisory Research & Training Limited	1.10%	585.26	0.00%	0.21	0.00%	-	0.00%	0.21

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2020

Note 47

Disclosure in terms of Schedule III of the Companies Act, 2013

(Rs. in Lakhs)

Particulars	Net Assets (i.e. Total Assets minus Total Liabilities)		Share in Profit or (Loss)		Share in Other Comprehensive Income		Share in Total Comprehensive Income	
	As a % of Consoli- dated Net Assets	Amount	As a % of Conso- li- dated Profit / Loss	Amount	As a % of Other Compre- hensive Income	Amount	As a % of Total Compre- hensive Income	Amount
Foreign:								
CARE Ratings (Africa) Private Limited	0.98%	520.53	2.01%	165.83	0.00%	-	2.03%	165.83
CARE Ratings Nepal Limited	1.25%	667.76	1.84%	151.97	0.00%	-	1.86%	151.97
Non-Controlling Interests included in respective subsidiaries	(0.61%)	(324.63)	(1.35%)	(110.95)	(2.34%)	1.96	(1.34%)	(108.98)
Eliminations	(2.80%)	(1,491.04)	(0.62%)	(50.73)	10.62%	(8.93)	(0.73%)	(59.66)
Total	100.00%	53,326.39	100.00%	8,237.01	100.00%	(84.06)	100.00%	8,152.95

Note 48:

The Group has assessed the impact of COVID-19 pandemic on its Consolidated Ind AS financial statements based on the internal and external information upto the date of approval of these Consolidated Ind AS financial statements and the Group expects to recover the carrying amounts of its investments, intangible assets, trade receivables & other assets. The Group will continue to closely monitor the future economic conditions and assess its impact on its Consolidated Ind AS financial statements. Due to current situation, the Group has made an accelerated provision of Rs.700 Lakhs on account of trade receivables.

Considering the Group's nature of business, management does not anticipate any serious challenges/ significant impact on continuity of its business.

Note 49:

Corresponding figures of previous financial year has been regrouped/rearranged to conform to current year's grouping.

For Khimji Kunverji & Co. LLP
Chartered Accountants
FRN: 105146 W/ W100621

For and on behalf of the Board of Directors of
CARE Ratings Limited

[Hasmukh Dedhia]
Partner (F-033494)

[Ajay Mahajan]
Managing Director & CEO
DIN No- 05108777

[Adesh Kumar Gupta]
Independent Director
DIN No. - 00020403

[Najib Shah]
Independent Director
DIN No. - 08120210

Mumbai
Date : June 18, 2020

[Bharat Adnani]
Chief Financial Officer
M.No. 112238

[Navin Jain]
Company Secretary
ACS A10703

Mumbai
Date : June 18, 2020

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Notice is hereby given that the Twenty Seventh Annual General Meeting (“AGM”) OF CARE Ratings Limited will be held on Tuesday, September 08, 2020 at 03.30 P.M., Indian Standard Time (“IST”), through Video Conferencing/Other Audio Visual Means (“VC/OAVM”) facility to transact following business:

ORDINARY BUSINESS:

1. To consider and adopt the Audited standalone financial statements and the consolidated financial statements of the Company for the financial year ended March 31, 2020 together with the report of the Board of Directors and report of the Auditors thereon and other reports.
2. To confirm payment of three interim dividends, aggregating to ₹. 17/- per equity share and to declare a final dividend of ₹. 2.50/- per equity share for the financial year 2019- 2020.
3. To appoint a Director in place of Mr. V Chandrasekaran (DIN: 03126243), who retires by rotation and being eligible, offers himself for re-appointment.

SPECIAL BUSINESS:

4. **Increase in the authorized share capital of the Company and consequent amendment to Memorandum of Association**

To consider and, if thought fit, to pass the following resolution, as an Ordinary Resolution:

“RESOLVED THAT in accordance with the provisions of Sections 4, 13 and 61 and all other applicable provisions of the Companies Act, 2013 and rules framed thereunder (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force) read with the Articles of Association of the Company, approval of the members be and is hereby accorded to increase the Authorised Share Capital of the Company from ₹. 30,00,00,000/- (Rupees Thirty Crores only) divided into 3,00,00,000 (Three Crores) equity shares of ₹. 10/- (Rupees Ten only) each to ₹. 35,00,00,000/- (Rupees Thirty Five Crores only) divided into 3,50,00,000 (Three Crore Fifty Lakhs) equity shares of ₹. 10/- (Rupees Ten only) each and consequently, the existing Clause V of the Memorandum of Association of the Company be and is hereby altered and substituted by the following as new Clause V and shall be read as follows:

V. The Authorised share capital of the Company is ₹. 35,00,00,000- (Rupees Thirty Five Crores only) divided into 3,50,00,000 equity shares of ₹. 10/- (Rupees Ten only) each with the rights, privileges and conditions attached thereto as are provided by the Articles of Association of the Company for the time being with power to increase and reduce the capital of the Company and to divide the shares in the capital for the time being into several classes and to attach thereto respectively such preferential, deferred, qualified, special rights, privileges or conditions as may be determined by or in accordance with the Articles of Association of the Company for the time being and to vary, modify or abrogate any such rights, privileges or conditions in such manner as may be permitted by the Companies Act, 2013 or provided by the Articles of Association of the Company for the time being.”

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board is hereby authorised to do all such acts, deeds, matters and things as in its absolute discretion, it may consider necessary, expedient, or desirable including printing of the new Memorandum of Association and necessary filings with the Registrar of Companies.”

5. **Appointment of Mr. Ajay Mahajan (DIN: 05108777) as Director, liable to retire by rotation**

To consider and if thought fit, to pass the following resolution as an Ordinary Resolution:

RESOLVED THAT pursuant to Sections 152 and other applicable provisions, if any, of the Companies Act, 2013 read with Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) and Articles of Association of the Company, Mr. Ajay Mahajan (DIN:05108777), who was

appointed as an Additional Director of the Company with effective from April 15, 2020 by the Board of Directors of the Company, based on the recommendation of Nomination and Remuneration Committee, who in terms of Section 161 of the Companies Act, 2013 holds office up to the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing in terms of Section 160 of the Companies Act, 2013 from a Member proposing his candidature for the office of Director, be and is hereby appointed as Director of the Company, liable to retire by rotation.

6. Appointment and approval of remuneration payable to Mr. Ajay Mahajan (DIN: 05108777) as the Managing Director & CEO

To consider and if thought fit, to pass the following resolution as a Special Resolution:

“RESOLVED THAT pursuant to the provisions of Sections 196, 197, 198 and 203 read together with Schedule V and the Rules framed thereunder and other applicable provisions, if any, of the Companies Act, 2013 (hereinafter referred to as the “Act”) (including any statutory amendment(s) or modification(s) thereto or enactment(s) or re-enactment(s) thereof for the time being in force), including any statutory modification(s) or amendment(s) thereof for the time being in force, and on the basis of recommendation of the Nomination and Remuneration Committee and approval of the Board of Directors of the Company, consent of the members of the Company be and is hereby accorded for the appointment of Mr. Ajay Mahajan (DIN: 05108777) as the Managing Director and Chief Executive Officer (CEO) of the Company, for a period of 5 (five) years with effect from April 15, 2020 to April 14, 2025 on such terms and conditions of appointment including the payment of remuneration, perquisites & other benefits as set out in the Explanatory Statement annexed to this Notice, with liberty to the Board of Directors (including its Committee thereof) to alter and vary the terms & conditions of the said Appointment in such manner as may be agreed to between the Board of Directors (including its Committees thereof) and Mr. Ajay Mahajan.”

RESOLVED FURTHER THAT the remuneration payable to Mr. Ajay Mahajan for a period of One year from April 15, 2020 to April 14, 2021 as above, may exceed five percent of the net profits of the Company (computed in accordance with the Act), but shall in no case exceed ten percent of the net profits of the Company (computed in accordance with the Act), notwithstanding that the annual aggregate remuneration payable to Mr. Ajay Mahajan may exceed the limits prescribed under the Act;

RESOLVED FURTHER THAT the terms and conditions of remuneration as set out in the Explanatory Statement annexed hereto which shall be deemed to form part hereof and in the event of inadequacy or absence of profits in any financial year or years, the remuneration comprising salary, perquisites and other benefits and emoluments approved herein be continued to be paid as minimum remuneration to Mr. Ajay Mahajan for a period not exceeding One year subject to the requisite approval of the shareholders, if required; and

RESOLVED FURTHER THAT the Board of Directors of the Company (hereinafter referred to as the “Board” which term shall be deemed to include any committee which the Board may have constituted or hereinafter constitute to exercise its power including the powers conferred by this Resolution) be and is hereby authorised to vary and/or revise the remuneration of Mr. Ajay Mahajan (DIN: 05108777) as the Managing Director and Chief Executive Officer (CEO) of the Company within the overall limits under the Act and to take such steps as may be necessary for obtaining necessary approvals (statutory or otherwise), in relation to the above and to settle all matters arising out of and incidental thereto and to sign and execute deeds, applications, documents and writings that may be required, on behalf of the Company and generally to do all such acts, deeds, matters and things as may be necessary, proper, expedient or incidental for giving effect to this Resolution”.

7. Grant of Employee Stock Options to the employees of the Company under CARE Employee Stock Option Scheme 2020:

To consider and if thought fit, to pass the following resolution as a Special Resolution:

“RESOLVED THAT pursuant to the provisions of Section 62(1)(b) and other applicable provisions, if any, of the Companies Act 2013 read with rules framed thereunder, the Memorandum and Articles of Association of the Company, the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 (hereinafter referred to as “the SBEB Regulations”) (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force) and in accordance with circulars / guidelines issued by SEBI, the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as “SEBI (LODR) Regulations) (including any statutory modification(s) or amendment(s) thereto or re-enactment or substitution thereof, for the time being in force), subject to such other consent, approval, if any, including rules/regulations/

guidelines, etc. issued by the Department for Promotion of Industry and Internal Trade, RBI and SEBI, pursuant to approval of the Board of Directors of the Company and recommendation of the Nomination and Remuneration Committee and subject to such other approvals, permissions and sanctions as may be necessary from such regulatory authority(ies) and subject to such conditions and modifications as may be prescribed or imposed by such regulatory authority(ies), while granting such approvals, permissions and sanctions, the approval and consent of the members of the Company be and is hereby accorded respectively to the 'CARE Employee Stock Option Scheme 2020' (hereinafter referred to as the "ESOP 2020"/ "Scheme") and to the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any committee, including the Nomination and Remuneration Committee constituted by the Board under Section 178 of the Companies Act, 2013 or any other Committee which the Board may constitute to act as the "Compensation Committee" under the SBEB Regulations or their delegated authority and to exercise its powers, including the powers, conferred by this Resolution) to create, grant, offer, issue and allot from time to time, in one or more tranches, not exceeding 10,00,000 (Ten lakh only) Employee Stock Options ("Option(s)"), the salient features of which are set out in the Statement annexed to this Notice, to or for the benefit of such person(s), who are in permanent employment of the Company, in India or out of India including any Director thereof, whether whole time or otherwise (other than Independent Directors and a director(s) who either himself or through his relative or through any body corporate, directly or indirectly, holds more than 10% of the outstanding equity shares of the Company) (hereinafter collectively referred to as the "Employee" or "Employees"), as may be decided by the Board under the Scheme, exercisable into not more than 10,00,000 (Ten lakh only) Equity Shares of face value of ₹. 10/- each fully paid up, representing 3.39 % of the issued, subscribed and paid-up equity share capital of the Company, on such terms and in such manner as the Board may decide in accordance with the provisions of the law or regulations issued by the relevant regulatory authority(ies).

RESOLVED FURTHER THAT the number of Options that may be granted to any Employee of the Company, during any one year under the Scheme shall not exceed 1% of the Issued Capital of the Company.

RESOLVED FURTHER THAT the Equity Shares to be allotted and issued by the Company in the manner aforesaid shall rank pari passu in all respects with the then existing Equity Shares of the Company.

RESOLVED FURTHER THAT in case of any corporate action(s) such as rights issues, bonus issues, merger, stock split/consolidation etc., if any additional Equity Shares are required to be issued by the Company to the Option grantees for the purpose of making a fair and reasonable adjustment to Options granted earlier, the above ceiling of 10,00,000 (Ten lakh only) Equity Shares shall be deemed to be increased to the extent of such additional Equity Shares issued.

RESOLVED FURTHER THAT the grant of Options shall be in accordance with the terms and conditions as regards price, payment, application, allotment etc. as decided by the Board from time to time in accordance with the SBEB Regulations.

RESOLVED FURTHER THAT in case of any corporate action(s) such as stock split/consolidation etc., then the number of Shares to be allotted and the exercise price payable by the Option grantees under the Scheme shall automatically stand reduced or augmented, as the case may be, in the same proportion as the present face value of ₹. 10/- per Equity Share shall bear to the revised face value of the Equity Shares of the Company after such stock split/consolidation, without affecting any other rights or obligations of the said allottees.

RESOLVED FURTHER THAT the Board shall take necessary steps for listing of the Equity Shares of the Company allotted under the Scheme on the Stock Exchange(s), where the shares of the Company are listed, as per the provisions of the SEBI (LODR) Regulations, the SBEB Regulations and other applicable laws and regulations as may be applicable.

RESOLVED FURTHER THAT for the purpose of giving effect to any creation, offer, grant and allotment of securities, the Board be and is hereby authorized on behalf of the Company to evolve, decide upon and bring into effect the Scheme and to make modifications, changes, variations, alterations or revisions in the said Scheme as it may deem fit, from time to time in its sole and absolute discretion, not unfavorable or prejudicial to the allottees under the Scheme except due to change in laws/regulations, and in conformity with the provisions of the Companies Act, 2013, the Memorandum and Articles of Association of the Company, the SBEB Regulations and any other applicable laws or to suspend, withdraw or revive the Scheme from time to time as may be desirable for such purpose and with power on behalf of the Company to settle any questions, difficulties or

doubts that may arise in this regard without requiring the Board to secure any further consent or approval of the members of the Company.

RESOLVED FURTHER THAT the Board be and is hereby authorized to do all such acts, deeds and things, as may, at its absolute discretion, deem necessary including authorizing or directing the Board to appoint various intermediaries, experts, professionals, independent agencies and other advisors, consultants or representatives, being incidental to the effective implementation and administration of the Scheme as also to prefer applications to the appropriate Authorities, Parties and the Institutions for their requisite approvals, if any, required by the SEBI / Stock Exchange(s), and all other documents required to be filed in the above connection and to settle all such questions or difficulties whatsoever which may arise and take all such steps and decisions in this regard.”

8. Grant of Employee Stock Options to the employees of the Subsidiary Companies of the Company under CARE Employee Stock Option Scheme 2020’

To consider and if thought fit, to pass the following resolution as a Special Resolution:

“RESOLVED THAT pursuant to the provisions of Section 62(1)(b) and other applicable provisions, if any, of the Companies Act 2013 read with rules framed thereunder, the Memorandum and Articles of Association of the Company, the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 (hereinafter referred to as “the SBEB Regulations”) (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force) and in accordance with circulars / guidelines issued by SEBI, the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as SEBI (LODR) Regulations) (including any statutory modification(s) or amendment(s) thereto or re-enactment or substitution thereof, for the time being in force), subject to such other consent, approval, if any, including rules/regulations/guidelines, etc. issued by the Department for Promotion of Industry and Internal Trade, RBI and SEBI, pursuant to approval of the Board of Directors of the Company (hereinafter referred to as “the Board” which term shall be deemed to include any committee, including the Nomination and Remuneration Committee constituted by the Board under Section 178 of the Companies Act, 2013 or any other Committee which the Board may constitute to act as the “Compensation Committee” under the SBEB Regulations or their delegated authority and to exercise its powers, including the powers, conferred by this Resolution) and subject to such other approvals, permissions and sanctions as may be necessary from such regulatory authority(ies) and subject to such conditions and modifications as may be prescribed or imposed by such regulatory authority(ies), while granting such approvals, permissions and sanctions, the approval and consent of the members of the Company be and is hereby accorded to Board to extend the benefits of the ‘CARE Employee Stock Option Scheme 2020’ (hereinafter referred to as the “ESOP 2020”/ “Scheme”), referred to in the Special Resolution under Item No. 7 of this Notice, also to or to the benefit of such person(s) who are permanent employees of subsidiary companies of the Company, whether working in India or outside India, and / or to the directors of the subsidiary companies of the Company, whether whole-time or not but excluding independent director(s) of the subsidiary companies and to such other persons as may be decided by the Board and / or permitted under SBEB Regulations (hereinafter referred to as “Employees”) but excluding director(s) who either himself or through his relative or through anybody corporate, directly or indirectly, holds more than 10% of the outstanding equity shares of the Company, to the intent that the number of Securities offered under ESOP 2020 to the Employees of the subsidiary companies shall be subsumed in the aggregate limit of 10,00,000 (Ten lakh only) equity shares of the face value of ₹. 10/- (Rupees Ten only) each set out in the Special Resolution under Item No. 7 of this Notice.

RESOLVED FURTHER THAT the number of Options that may be granted to any Employee of the Company, during any one year under the Scheme shall not exceed 1% of the Issued Capital of the Company.

RESOLVED FURTHER THAT the Equity Shares to be allotted and issued by the Company in the manner aforesaid shall rank pari passu in all respects with the then existing Equity Shares of the Company.

RESOLVED FURTHER THAT in case of any corporate action(s) such as rights issues, bonus issues, merger, stock split/ consolidation etc., if any additional Equity Shares are required to be issued by the Company to the Option grantees for the purpose of making a fair and reasonable adjustment to Options granted earlier, the above ceiling of 10,00,000 (Ten lakh only) Equity Shares shall be deemed to be increased to the extent of such additional Equity Shares issued.

RESOLVED FURTHER THAT the grant of Options shall be in accordance with the terms and conditions as regards price, payment, application, allotment etc. as decided by the Board from time to time in accordance with the SBEB Regulations.

RESOLVED FURTHER THAT in case of any corporate action(s) such as stock split/consolidation etc., then the number of Shares to be allotted and the exercise price payable by the Option grantees under the Scheme shall automatically stand reduced or augmented, as the case may be, in the same proportion as the present face value of ₹. 10/- per Equity Share shall bear to the revised face value of the Equity Shares of the Company after such stock split/consolidation, without affecting any other rights or obligations of the said allottees.

RESOLVED FURTHER THAT the Board shall take necessary steps for listing of the Equity Shares of the Company allotted under ESOP 2020 on the Stock Exchange(s), where the shares of the Company are listed, as per the provisions of the SEBI (LODR) Regulations, the SBEB Regulations and other applicable laws and regulations as may be applicable.

RESOLVED FURTHER THAT for the purpose of giving effect to any creation, offer, grant and allotment of securities, the Board be and is hereby authorized on behalf of the Company to evolve, decide upon and bring into effect the Scheme and to make modifications, changes, variations, alterations or revisions in the Scheme as it may deem fit, from time to time in its sole and absolute discretion, not unfavorable or prejudicial to the allottees under the Scheme except due to change in laws/regulations, and in conformity with the provisions of the Companies Act, 2013, the Memorandum and Articles of Association of the Company, SBEB Regulations and any other applicable laws or to suspend, withdraw or revive the Scheme from time to time as may be desirable for such purpose and with power on behalf of the Company to settle any questions, difficulties or doubts that may arise in this regard without requiring the Board to secure any further consent or approval of the members of the Company.

RESOLVED FURTHER THAT the Board be and is hereby authorized to do all such acts, deeds and things, as may, at its absolute discretion, deems necessary including authorizing or directing the Board to appoint various intermediaries, experts, professionals, independent agencies and other advisors, consultants or representatives, being incidental to the effective implementation and administration of the Scheme as also to prefer applications to the appropriate Authorities, Parties and the Institutions for their requisite approvals, if any, required by the SEBI / Stock Exchange(s), and all other documents required to be filed in the above connection and to settle all such questions or difficulties whatsoever which may arise and take all such steps and decisions in this regard.”

9. Grant of Employee Stock Options equal to or more than 1 % of the issued capital of the Company to the identified employees

To consider and if thought fit, to pass the following resolution as a Special Resolution

“RESOLVED THAT pursuant to the provisions of Section 62(1)(b) and other applicable provisions, if any, of the Companies Act 2013 read with rules framed thereunder, the Memorandum and Articles of Association of the Company, the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 (hereinafter referred to as “the SBEB Regulations”) (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force) and in accordance with circulars / guidelines issued by SEBI, the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as “SEBI (LODR) Regulations) (including any statutory modification(s) or amendment(s) thereto or re-enactment or substitution thereof, for the time being in force), subject to such other consent, approval, if any, including rules/regulations/guidelines, etc. issued by the Department for Promotion of Industry and Internal Trade, RBI and SEBI, pursuant to approval of the Board of Directors of the Company and recommendation of the Nomination and Remuneration Committee of the and subject to such other approvals, permissions and sanctions as may be necessary from such regulatory authority(ies) and subject to such conditions and modifications as may be prescribed or imposed by such regulatory authority(ies), while granting such approvals, permissions and sanctions, the approval and consent of the members of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as “the Board” which term shall be deemed to include any committee, including the Nomination and Remuneration Committee constituted by the Board under Section 178 of the Companies Act, 2013 or any other Committee which the Board may constitute to act as the “Compensation Committee” under the SBEB Regulations or their delegated authority and to exercise its powers, including the powers,

conferred by this Resolution) to create, grant, offer, issue and allot from time to time, in one or more tranches, 5,00,000 (Five lakh only) Employee Stock Options (“Option(s)”) to Mr. Ajay Mahajan, Managing Director and Chief Executive Officer of the Company under the CARE Employee Stock Option Scheme 2020 (hereinafter referred to as the “ESOP 2020”/ “Scheme”) exercisable into 5,00,000 (Five lakh only) equity shares of face value of ₹. 10/- each fully paid up, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board be and is hereby authorised to do all acts, matters, deeds and things and to take all steps and to do all things and give such directions as may be necessary, expedient or desirable and also to settle any question or difficulties that may arise in such manner and the Board / such authorised person in its/his absolute discretion may deem fit and take steps which are incidental and ancillary in this connection.”

By the Order of Board

Navin Kumar Jain
Executive Director & Company Secretary

Date: Mumbai

Place: August 10, 2020

NOTES:

1. In view of the outbreak of the COVID-19 pandemic, Ministry of Corporate Affairs has vide Circular No. 14/2020 dated April 08, 2020, Circular No.17/2020 dated April 13, 2020 and Circular No. 20/2020 dated May 05, 2020, (collectively referred to as “MCA Circulars”) permitted the holding of the Annual General Meeting (AGM) through video conferencing (VC) or other audio visual means (OAVM), without the physical presence of the Members at a common venue. In compliance with the provisions of the Companies Act, 2013 (“Act”), SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI Listing Regulations”) and MCA Circulars, the AGM of the Company is being held through VC / OAVM. National Securities Depositories Limited (‘NSDL’) will be providing facility for voting through remote e-voting, for participation in the AGM through VC / OAVM facility and e-voting during the AGM. The procedure for participating in the meeting through VC / OAVM is explained at Note No. 8 below and is also available on the website of the Company at www.careratings.com
2. As the AGM shall be conducted through VC / OAVM, the facility for appointment of Proxy by the Members is not available for this AGM and hence the Proxy Form and Attendance Slip including Route Map are not annexed to this Notice.
3. An explanatory statement pursuant to Section 102 of the Companies Act, 2013, as amended (the “Companies Act” or the “Act”) with respect to Item Nos. 4 to 9 of the notice set out above is annexed hereto. The Board of Directors have considered and decided to include Item Nos. 4 to 9 given above as Special Business in the forthcoming AGM, as they are unavoidable in nature.
4. Institutional / Corporate Shareholders (i.e. other than individuals / HUF, NRI, etc.) are required to send a scanned copy (PDF/ JPG Format) of its Board or governing body Resolution/Authorization etc., authorizing its representative to attend the AGM through VC / OAVM on its behalf and to vote through remote e-voting. The said Resolution/Authorization shall be sent by email through its registered email address to investor.relations@careratings.com with a copy marked to evoting@nsdl.co.in
5. In accordance with, the General Circular No. 20/2020 dated May 5, 2020 issued by MCA and Circular No. SEBI/HO/CFD/CMD1/CIR/P/2020/79 dated May 12, 2020 issued by SEBI, the financial statements including Report of Board of Directors, Auditor’s report or other documents required to be attached therewith and the Notice of AGM are being sent in electronic mode to Members whose e-mail address is registered with the Company or the Depositories/Depository Participant(s).
6. **Process for registration of email id for obtaining Annual Report and user id/password for e-voting:** Members holding shares in physical mode and who have not updated their email addresses with the Company are requested to update their email addresses by writing to the Registrar and Transfer Agents of the Company KFin Technologies Private Limited (“KFinTech”) at einward.ris@kfinotech.com along with the copy of the signed request letter mentioning the name and address of the Member, scanned copy of the share certificate (front and back), self-attested copy of the PAN card, and self-attested copy of any document (eg.: Driving License, Election Identity Card, Passport) in support of the address of the Member. Members

holding shares in dematerialised mode are requested to register / update their email addresses with the relevant Depository Participants. In case of any queries / difficulties in registering the e-mail address, Members may write to einward.ris@kfintech.com.

- The Notice of AGM along with Annual Report for the financial year 2019-20, is available on the website of the Company at www.careratings.com, on the website of Stock Exchanges i.e. BSE Limited and National Stock Exchange of India Limited and on the website of NSDL at www.evoting.nsdl.com.

PROCEDURE FOR JOINING THE AGM THROUGH VC/OAVM:

- The Members will be able to attend the AGM through VC / OAVM provided by NSDL at <https://www.evoting.nsdl.com> by using their remote e-voting login credentials and selecting the EVEN for Company's AGM. The link for VC / OAVM will be available in Members login where the EVEN of Company will be displayed. Please note that the Members who do not have the User ID and Password for e-voting or have forgotten the User ID and Password may retrieve the same by following the remote e-voting instructions mentioned in the notice. Further Members can also use the OTP based login for logging into the e-voting system of NSDL.
- The facility of joining the AGM through VC / OAVM shall open 15 minutes before the time scheduled for the AGM and will be available for Members on first come first served basis.
- Members who need assistance before or during the AGM, can contact NSDL on evoting@nsdl.co.in or use Toll free no.: 1800-222-990 or contact Ms. Pallavi Mhatre, Manager- NSDL at pallavid@nsdl.co.in or at telephone number 022-24994545/ or Mr. Amit Vishal, Senior Manager – NSDL at amitv@nsdl.co.in or at telephone number 022-24994360.
- Please note that participants connecting from Mobile devices or Tablets or through Laptop connecting via Mobile Hotspot may experience Audio / Video loss due to fluctuation in their respective network. It is therefore recommended to use stable Wi-Fi or LAN connection to mitigate any kind of aforesaid glitches.
- The Members attending the AGM through VC/OAVM will be counted for the purpose of reckoning the quorum under Section 103 of the Companies Act, 2013.

PROCEDURE TO RAISE QUESTIONS DURING ANNUAL GENERAL MEETING:

- Members who would like to express their views or ask questions during the AGM may register themselves as a speaker by sending their request from their registered email address mentioning their name, DP ID and Client ID/folio number, PAN, mobile number at investor.relations@careratings.com from September 01, 2020 (9:00 a.m. IST) to September 04, 2020 (5:00 p.m. IST). Those Members who have registered themselves as a speaker will only be allowed to express their views/ask questions during the AGM. The Company reserves the right to restrict the number of speakers depending on the availability of time for the AGM. The Company reserves the right to restrict the number of speakers depending on the availability of time for the AGM.

PROCEDURE FOR REMOTE E-VOTING AND E-VOTING DURING THE AGM:

- Pursuant to the provisions of Section 108 of the Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Rules, 2014 (as amended) and Regulation 44 of SEBI (Listing Obligations & Disclosure Requirements) Regulations 2015 (as amended), the Members are provided with the facility to cast their vote electronically, through the e-voting services provided by NSDL, on all the resolutions set forth in this Notice.
- Members may cast their votes on electronic voting system from any place (remote e-voting). The remote e-voting period commences on Friday, September 04, 2020 (9:00 a.m. IST) and ends on Monday, September 07, 2020 (5:00 p.m. IST). During this period, Members holding shares either in physical form or in dematerialized form, as on Tuesday, September 01, 2020 i.e. cut-off date, may cast their vote electronically. The e-voting module shall be disabled by NSDL for voting thereafter.

16. The Board of Directors has appointed Mr. Ashish Jain (Membership No. 6058 and CP No. 6124) of M/s A.K. Jain & Co., Company Secretaries as the Scrutinizer to scrutinize the voting during the AGM and remote e-voting process in a fair and transparent manner.
17. Members attending the AGM who have not cast their vote by remote e-voting shall be eligible to cast their vote through e-voting during the AGM. The Members who have cast their vote by remote e-voting prior to the AGM may also attend/ participate in the AGM through VC / OAVM but shall not be entitled to cast their vote again.
18. The voting rights of Members shall be in proportion to their shares in the paid-up equity share capital of the Company as on the cut-off date. A person who is not a Member as on the cut-off date should treat this Notice of AGM for information purpose only.
19. Any person, who acquires shares of the Company and becomes a Member of the Company after sending of the Notice and holding shares as of the cut-off date, may obtain the login ID and password by sending a request at evoting@nsdl.co.in. However, if he/she is already registered with NSDL for remote e-voting then he/she can use his/her existing User ID and password for casting the vote.
20. The details of the process and manner for remote e-voting are explained herein below:

Step 1: Log-in to NSDL e-Voting system at <https://www.evoting.nsdl.com/>

How to Log-in to NSDL e-Voting website?

- i. Visit the e-Voting website of NSDL. Open web browser by typing the following URL: <https://www.evoting.nsdl.com/>.
- ii. Once the home page of e-Voting system is launched, click on the icon “Login” which is available under ‘Shareholders’ section.
- iii. A new screen will open. You will have to enter your User ID, your Password and a Verification Code as shown on the screen.
- iv. Alternatively, if you are registered for NSDL eservices i.e. IDEAS, you can log-in at <https://eservices.nsdl.com/> with your existing IDEAS login. Once you log-in to NSDL eservices after using your log-in credentials, click on e-Voting and you can proceed to Step 2 i.e. Cast your vote electronically.
- iv. Your User ID details are given below :

Manner of holding shares	Your User ID is:
a) For Members who hold shares in demat account with NSDL.	8 Character DP ID followed by 8 Digit Client ID For example: if your DP ID is IN300*** and Client ID is 12***** then your user ID is IN300***12*****.
b) For Members who hold shares in demat account with CDSL.	16 Digit Beneficiary ID For example: if your Beneficiary ID is 12***** then your user ID is 12*****
c) For Members holding shares in Physical Form.	EVEN Number followed by Folio Number registered with the company For example: if your folio number is 001*** and EVEN is 101456 then user ID is 101456001***

- v. Your password details are given below:
 - a) If you are already registered for e-Voting, then you can use your existing password to login and cast your vote.

- b) If you are using NSDL e-Voting system for the first time, you will need to retrieve the 'initial password' which was communicated to you. Once you retrieve your 'initial password', you need to enter the 'initial password' and the system will force you to change your password.
- c) How to retrieve your 'initial password'?
 - (i) If your email ID is registered in your demat account or with the company, your 'initial password' is communicated to you on your email ID. Trace the email sent to you from NSDL from your mailbox. Open the email and open the attachment i.e. a .pdf file. Open the .pdf file. The password to open the .pdf file is your 8 digit client ID for NSDL account, last 8 digits of client ID for CDSL account or folio number for shares held in physical form. The .pdf file contains your 'User ID' and your 'initial password'.
 - (ii) If your email ID is not registered, please follow steps mentioned in Note No. 6 above.
- vi. If you are unable to retrieve or have not received the "Initial password" or have forgotten your password:
 - a) Click on "Forgot User Details/Password?" (If you are holding shares in your demat account with NSDL or CDSL) option available on www.evoting.nsdl.com.
 - b) "Physical User Reset Password?" (If you are holding shares in physical mode) option available on www.evoting.nsdl.com.
 - c) If you are still unable to get the password by aforesaid two options, you can send a request at evoting@nsdl.co.in mentioning your demat account number/folio number, your PAN, your name and your registered address.
 - d) Members can also use the OTP (One Time Password) based login for casting the votes on the e-Voting system of NSDL.
- vii. After entering your password, tick on Agree to "Terms and Conditions" by selecting on the check box.
- viii. Now, you will have to click on "Login" button.
- ix. After you click on the "Login" button, Home page of e-Voting will open.

Step 2: Cast your vote electronically on NSDL e-Voting system:

How to cast your vote electronically on NSDL e-Voting system?

- i. After successful login at Step 1, you will be able to see the Home page of e-Voting. Click on e-Voting. Then, click on Active Voting Cycles.
- ii. After click on Active Voting Cycles, you will be able to see all the companies "EVEN" in which you are holding shares and whose voting cycle is in active status.
- iii. Select "EVEN" of company for which you wish to cast your vote.
- iv. Now you are ready for e-Voting as the Voting page opens.
- v. Cast your vote by selecting appropriate options i.e. assent or dissent, verify/modify the number of shares for which you wish to cast your vote and click on "Submit" and also "Confirm" when prompted.
- vi. Upon confirmation, the message "Vote cast successfully" will be displayed.
- vii. You can also take the printout of the votes cast by you by clicking on the print option on the confirmation page.
- viii. Once you confirm your vote on the resolution, you will not be allowed to modify your vote.

The instructions for Members for e-voting on the day of the AGM are as under:

- a. The procedure for e-voting on the day of the AGM is same as the instructions mentioned above for remote e-voting.
- b. Only those Members, who will be present in the AGM through VC / OAVM facility and have not casted their vote on the Resolutions through remote e-voting and are otherwise not barred from doing so, shall be eligible to vote

- through e-voting system in the AGM.
- c. Members who have voted through remote e-voting will be eligible to attend the AGM. However, they will not be eligible to vote at the AGM.
 - d. For details of the person who may be contacted for any assistance connected with the facility for e-voting on the day of the AGM, please refer Note No. 10 above

Other information:

21. It is strongly recommended not to share your password with any other person and take utmost CARE to keep your password confidential. Login to the e-voting website will be disabled upon five unsuccessful attempts to key in the correct password. In such an event, you will need to go through the "Forgot User Details/Password?" or "Physical User Reset Password?" option available on www.evoting.nsdl.com to reset the password.
22. In case of any queries relating to e-voting, you may refer the Frequently Asked Questions (FAQs) for Shareholders and e-voting user manual for Shareholders available at the download section of <https://www.evoting.nsdl.com> or call on toll free no.: 1800-222-990 or send a request at evoting@nsdl.co.in
23. The Scrutinizer shall, immediately after the conclusion of voting at the AGM, first count the votes cast during the AGM, thereafter unblock the votes cast through remote e-voting and make, not later than 48 hours of conclusion of the AGM, a consolidated Scrutinizer's Report of the total votes cast in favour or against, if any, to the Chairman or Managing Director or a person authorised by him in writing, who shall countersign the same.
24. The results of the electronic voting shall be declared to the Stock Exchanges after the conclusion of AGM. The results along with the Scrutinizer's Report, shall also be placed on the website of the Company at www.careratings.com and on the website of NSDL <https://www.evoting.nsdl.com> immediately. The Company shall simultaneously forward the results to the National Stock Exchange of India Limited and BSE Limited, where the shares of the Company are listed.
25. The venue of the meeting shall be deemed to be the Registered Office of the Company.
26. All the documents referred to in the accompanying Notice and Explanatory Statements, shall be available for inspection through electronic mode, upon the request being sent on investor.relations@careratings.com.
27. Members seeking any information with regard to the accounts or any matter to be placed at the AGM, are requested to write to the Company on or before September 07, 2020 through email on investor.relations@careratings.com. The same will be replied by the Company suitably.
28. The Register of Members and Share Transfer Books of the Company will be closed from Wednesday, September 02, 2020 to Tuesday, September 08, 2020 (both days inclusive) for ascertaining the names of the Members to whom the dividend, if declared at the AGM, is payable.
29. The dividend, if declared at the AGM, will be paid as follows:
 - a. For shares held in physical form - to those Members whose names appears in the Register of Members on the close of the day on Tuesday, September 8, 2020; and
 - b. For shares held in dematerialized form - to those beneficiaries, whose names are furnished by the National Securities Depository Limited and Central Depository Services (India) Limited as beneficial owners on the close of the day on Tuesday, September 1, 2020.
30. counts will be used by the Company for payment of dividend. The Company or its Registrars and Share Transfer Agents, KFin Technologies Private Limited cannot act on any request received directly from the Members holding shares in electronic form for any change of bank particulars or bank mandates. Such changes are to be advised only to the Depository Participant by the Members. Members holding shares in physical form are requested to advise any change in their address or bank mandates immediately to the Company/ KFinTech.

31. The details as stipulated under Regulation 36(3) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Secretarial Standards issued by the Institute of Company Secretaries of India, in respect of the director seeking re-appointment/appointment under item No. 3 & 5 respectively of this Notice, is annexed.
32. Members who wish to claim dividends, which had remained unpaid are requested to contact the Registrar and Share Transfer Agents, KFin Tech. Members are requested to note that the amount of dividend which remains unclaimed for a period of 7 years from the date of such transfer to the unpaid dividend account of the Company, will be transferred along with the underlying shares to the Investor Education and Protection Fund (IEPF) as per Sections 124 and 125 of the Companies Act. Members are requested to claim their unclaimed dividends immediately to avoid transfer of the said dividends and underlying shares to the IEPF. Members may note that the dividend and shares transferred to IEPF could be claimed by the concerned shareholders from IEPF Authority after complying with the procedure prescribed under the Investors Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016.
33. As per the provisions of Section 72 of the Act, and Rule 19(1) of the Companies (Share Capital and Debentures) Rules, 2014, Members holding shares in physical form may file nomination in the prescribed Form SH-13 with KFintech. In respect of shares held in dematerialize form, the nomination may be filed with the respective Depository Participants.
34. The Members of the Company had approved the appointment of M/s. Khimji Kunverji & Co., Chartered Accountants, as the Statutory Auditors at the 23rd AGM of the Company which is valid till 28th AGM of the Company to be held in 2021. In accordance with the Act, the appointment of Statutory Auditors is not required to be ratified at every AGM.
35. SEBI has mandated that securities of listed companies can be transferred only in dematerialised form from April 01, 2019, except in case of transmission and transposition of securities. In view of the same and to avail various benefits of dematerialisation, Members are advised to dematerialise shares held by them in physical form and for ease in portfolio management.
36. The Securities and Exchange Board of India has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit their PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN to the Company / KFintech.

EXPLANATORY STATEMENT IN RESPECT OF THE SPECIAL BUSINESS PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013 (“THE ACT”)**Item No. 4**

At present the Authorised Share Capital of the Company is Rs.30,00,00,000 (Rupees Thirty crore only) divided into 3,00,00,000 (Three crores) equity shares of Rs.10/- (Rupees Ten Only) each. Existing Paid-up Share Capital of the Company is Rs. 29,46,12,140 /- (Rupees Twenty Nine Crore Forty Six Lakh Twelve Thousand One Hundred and Forty only). In addition to this options outstanding/ issued as per the ESOS, 2017 are 4,15,620 no. of shares. Hence the existing Authorized Share Capital is almost consumed.

To encourage and motivate employees of the Company it is thought that the employees may be granted options. Further The Company, in order to meet its growth objectives and to strengthen its financial position, may required to generate long term resources by issuing securities It is, therefore decided that subject to the approval of the members, authorized capital of the Company be increased suitably.

Hence, it is proposed to increase the Authorised capital shall increase from existing ₹. 30,00,00,000/- (Rupees Thirty Crore only) divided into 3,00,00,000 (Three Crore) equity shares of ₹. 10/- (Rupees Ten only) each to ₹. 35,00,00,000 (Rupees Thirty five crore only) divided into 3,50,00,000 (Three crores Fifty Lakhs equity shares of ₹. 10/- (Rupees Ten only) each, ranking pari-passu in all respect with the existing Equity Shares of the Company.”

The provisions of the Companies Act, 2013 requires the Company to seek the approval of the members for increase in the authorized share capital and for the alteration of capital clause of the Memorandum of Association of the Company.

None of the Directors, Key Managerial Personnel of the Company including their relatives, are in any way concerned or interested, financially or otherwise, in the proposed resolution, except to the extent of their shareholding interest, if any.

The Board recommends the Ordinary Resolution set out at Item No. 4 of this Notice for approval by the members.

Item No. 5

The Board of Directors based on the recommendation of Nomination and Remuneration Committee has appointed Mr. Ajay Mahajan (DIN: 05108777) as an Additional Director of the Company under Section 161(1) of the Act read with Article 119 of the Articles of Association, with effect from April 15, 2020. In terms of Section 161(1) of the Act, Mr. Ajay Mahajan holds office only upto the date of the forthcoming AGM.

A notice has been received from a member proposing Mr. Ajay Mahajan as a candidate for the office of Director of the Company.

The Board recommends his appointment as a Director liable to retire by rotation. In compliance with the provisions of Section 160 of the Companies Act, 2013, the appointment of Mr. Ajay Mahajan as a Director is now being placed before the Members for their approval.

In view of the applicable provisions of the Companies Act, 2013 the Board recommends the Ordinary Resolution set out at item no. 5 of the accompanying Notice for the approval of the Members.

None of the directors and/or key managerial personnel of your Company and their relatives, except Mr. Ajay Mahajan are concerned or interested, financially or otherwise, in the above Resolution.

Item No. 6

The Board of Directors based on the recommendation of Nomination and Remuneration Committee has also appointed Mr. Ajay Mahajan (DIN: 05108777) as “Managing Director & CEO” of the Company with effect from April 15, 2020 for a period of five years from April 15, 2020 to April 14, 2025, upon the terms & conditions hereinafter indicated, subject to approval of the Members.

Mr. Ajay Mahajan, aged 52 years, has a Bachelor of Engineering degree in Electrical & Electronics Engineering from BITS Pilani, and MBA from FMS (where he was a Gold medalist) and is also CFA Charter holder from CFA Institute, USA. He is a widely experienced banker with 30 years of experience; worked in organizations like Bank of America where he started his career in 1990

and went on to becoming MD & Country Head of Global Markets Group. In Bank of America, he also led the initiative of building the first 100% foreign owned NBFC in the country to do primary dealership and credit fixed income. Thereafter, he worked in various entrepreneurial assignments including being a part of the management team at inception of Yes Bank in 2004, building UBS' maiden branch in India in 2008 and then working in a hugely transformative role in IDFC which converted from being an Infrastructure Financing NBFC to a full service commercial bank. Ajay spent the 7 years at IDFC Bank, building teams, systems, processes and cutting-edge technologies to support the wholesale bank's growth. Brief resume of Mr. Ajay Mahajan, nature of his expertise in specific functional areas, names of companies in which he holds directorships and memberships / chairmanships of Board Committees and shareholding etc. as stipulated under the SEBI (LODR) Regulations, are provided as an Annexure to this notice.

Pursuant to Section II of Part II of Schedule V to the Act, the remuneration payable to Mr. Ajay Mahajan has been recommended and approved for a period of one year effective from April 15, 2020 to April 14, 2021 by the Nomination and Remuneration Committee and subsequently by the Board of Directors.

CARE Ratings' consolidated and standalone revenues have seen a decline in the last two years, with FY20 witnessing a steep reduction, owing to loss of a few significant accounts in the NBFC sector post the crisis that engulfed the sector since August, 2018. The overall macroeconomic conditions too have been downbeat with growth slowing down significantly in FY20. Further, there have been specific management and regulatory challenges faced by your company in the wake of investigations. This led to the firm seeking and appointing a CEO from the market for the very first time in its history.

The outbreak of the COVID'19 pandemic has meant that economic growth this year is widely expected to be negative notwithstanding the measures taken by the RBI and Government to boost liquidity and access to funding in critical sectors. But this is unlikely to lead to a revival as new projects, brownfield expansion and capital expenditure shall remain muted which will impact overall borrowing through bank loans and capital market instruments and hence, the rating business.

Our subsidiaries are in nascent stages of growth and demand for risk solutions and advisory services is subdued in these times. Therefore, revenue guidance for this year would tend to be in the same trajectory as the last year. While all efforts will be made to achieve last year's revenues, the net profitability of the CARE Group is likely to be lower than the last year. The fresh plans being put in place will bear fruition only with a lag.

Under these circumstances, we are moving a special resolution to the shareholders to enhance the ceiling of remuneration for MD & CEO to 10% of net profits for one year and based on the performance of the Company, approval for remuneration for his remaining tenure will be taken subsequently.

The remuneration payable to Mr. Ajay Mahajan may exceed the limits prescribed under section 197 of the Companies Act, 2013. Therefore, in terms of the provisions of the Companies Act, 2013, The approval of the Members pursuant to Section 197(1) of the Act, (including any statutory amendment(s) or modification(s) thereto or enactment(s) or re-enactment(s) thereof for the time being in force), is sought for the remuneration payable to Mr. Ajay Mahajan as the Managing Director & CEO of the Company for the period of 1(One) year w.e.f. from April 15, 2020 to April 14, 2021. The details of the proposed remuneration are set out below:

- Salary: CTC of Rs.3,75,00,000/- p.a. (Rupees Three Crore Seventy Five Lakh only) (Per Annum)
- Onetime Performance Bonus equivalent to 1% of consolidated PAT of the Company for the financial year 2020-21 subject to a minimum of Rs.1,00,00,000/- (Rupees One Crore)
- Yearly Commission equivalent to 1% of consolidated PAT with effect from financial year 2021-22. The Nomination and Remuneration Committee may decide on the amount of pay out.
- In addition to salary as above, he will also be entitled for 5,00,000 (Five Lakh only) Employee Stock Options under the Employees Stock Option Scheme to be introduced by the Company after getting approval of the shareholders in general meeting. The ESOP price would be Rs.340/- per share.

The Special Resolution proposed to be passed is an enabling resolution, permitting the Company to pay the fixed remuneration even during absence or inadequacy of profits in any financial year, in compliance with Section 197 read with Schedule V to the Companies Act, 2013. Provided that the maximum yearly remuneration payable to Mr. Ajay Mahajan shall not exceed 10% of consolidated PAT.

The ESOP so granted will vest as given below:

- 1/3rd (1,66,667) on completion of One year from the date of grant
- 1/3rd (1,66,667) on completion of Two years from the date of grant
- 1/3rd (1,66,666) on completion of Three years from the date of grant
- The Exercise period for ESOPs would be two years from the date of vesting

Other Benefits/perquisites:

Category A:

- i. Gratuity not exceeding one month's salary for each completed year of service subject to the Group Gratuity Scheme of the Company.
- ii. Medi-claim policy for self and dependent family members
- iii. Directors & Officers Liability Insurance policy as per the scheme of the Company
- iv. Group Personal Accident Policy as per the scheme of the Company

Category B:

- i. Cost of Car and Telephone for personal use (Cost of car and mobile phone for office work will be covered by the Company and not to be counted for the purpose of perquisite).
- ii. Leave: Ordinary Leave with full pay and allowances as per the Rules of the Company. Such leave will be permitted to be accumulated in accordance with the Company's rules and procedures in force from time to time. Casual and sick leave will be admissible as per rules of the Company. MD will also be entitled to encashment of leave as per rules of the Company.
- iii. General: Such other benefits as are made available by the Company to other members of the staff from time to time.

The above may be treated as a written memorandum setting out the terms & conditions of appointment of Mr. Ajay Mahajan under Section 190 of the Act.

The Nomination & Remuneration Committee and the Board of Directors is of the opinion that Shri Ajay Mahajan's vast knowledge and varied experience will be of great value to the Company and has recommended the Resolution, set out at Item No. 6 of this Notice relating to his appointment as a Managing Director & CEO of the Company for a period of five years w.e.f. 15th April, 2020 to 14th April, 2025 (both the days inclusive) and remuneration payable to him for the period of 1(One) year w.e.f. from April 15, 2020 to April 14, 2021 as a Special Resolution for your approval.

Except, Mr. Ajay Mahajan, none of the other Directors, Key Managerial Personnel or their relatives are concerned or interested, financially or otherwise, in the Resolution, set out at Item No. 6 of the Notice. Mr. Ajay Mahajan is not related to any other Director or KMP of the Company.

Item No. 7 & 8

Equity based compensation is considered to be an integral part of the employee compensation across sectors which enables alignment of personal goals of the employees with organizational objectives by participating in the ownership of the Company through stock based compensation scheme. The Company believes in rewarding person(s) who are in permanent employment of the Company, in India or out of India including any Director thereof, whether whole time or otherwise and present and future permanent employees and directors (whether whole-time or not) of its subsidiary companies (existing and future, in India or outside India), other than Independent Directors and a director(s) who either himself or through his relative or through anybody corporate, directly or indirectly, holds more than 10% of the outstanding equity shares of the Company, which will lead the Company on the growth path based on continuous hard work, dedication and support. The objective of the ESOP 2020 is to provide an incentive to attract and retain the key employees by way of rewarding their performance and motivate them to contribute to the overall corporate growth and profitability.

Accordingly, on recommendation of the Nomination and Remuneration Committee ("Committee"), the Board of Directors ("the Board") of the Company at its meeting held on August 10, 2020 approved introduction of the ESOP 2020 subject to the approval of the Members of the Company and the provisions of the SBEB Regulations, the SEBI (LODR) Regulations and other applicable laws and authorised the Committee constituted by the Board under Section 178 of the Companies Act, 2013 to formulate the detailed terms and conditions of the ESOP 2020 and to administer and implement the ESOP 2020 in accordance with the provisions of the

SBEB Regulations. All questions of interpretation of the ESOP 2020 shall be determined by the Committee and such determination shall be final and binding.

The ESOP 2020 is formulated in accordance with SBEB Regulations. In accordance with the terms of these resolutions and the ESOP 2020, the Options would be granted in one or more tranches as may be decided by the Committee, from time to time. The Company seeks the Members' approval in respect of the ESOP 2020 and grant of Options to the eligible employees of the Company and its subsidiary/ies (existing and future) as decided on this behalf from time to time in due compliance of Regulation 6 of the SBEB Regulations.

The salient features of ESOP 2020 are set out as per SEBI circular and are as under:

a. Brief description of the scheme - ESOP 2020

Keeping in view the aforesaid objectives, the ESOP 2020 contemplates grant of options to the eligible employees of the Company and eligible employee of the Subsidiary Company(ies). After vesting of options, the eligible employees earn a right (but not obligation) to exercise the vested options within the exercise period and obtain equity shares of the Company subject to payment of exercise price and satisfaction of any tax obligation arising thereon.

The Committee shall act as Compensation Committee for the administration of ESOP 2020. All questions of interpretation of the ESOP 2020 shall be determined by the Committee and such determination shall be final and binding upon all persons having an interest in ESOP 2020.

b. Total number of Options to be granted

10,00,000 (Ten lakh only) Options exercisable into an aggregate of 10,00,000 (Ten lakh only) Equity Shares in the Company of face value of Rs.10/- each fully paid-up, would be available for grant to the eligible employees of the Company and eligible employee of the Subsidiary Company(ies) aggregately under ESOP 2020, in one or more tranches.

Vested options lapsed due to non-exercise and/or unvested options that get cancelled due to resignation / termination of the employees or otherwise, would be available for being re-granted at a future date in accordance with the applicable law.

In case of any corporate action(s) such as rights issues, bonus issues, merger and sale of division, and others, a fair and reasonable adjustment needs to be made to the stock options granted. Accordingly, if any additional equity shares are required to be issued pursuant to any corporate action, the above ceiling of stock options or equity shares shall be deemed to increase in proportion of such additional equity shares issued subject to compliance of the SEBI SBEB Regulations, wherever applicable.

c. Identification of class of employees entitled to participate in ESOP 2020

Following classes of employees are eligible:

- i. 5,00,000 (Five lakh only) Options exercisable into an aggregate of 5,00,000 (Five lakh only) Equity Shares in the Company of face value of Rs. 10/- each fully paid-up, to Mr. Ajay Mahajan, Managing Director and Chief Executive Officer of the Company as per his terms of appointment
- ii. 5,00,000 (Five lakh only) Options exercisable into an aggregate of 5,00,000 (Five lakh only) Equity Shares in the Company of face value of Rs. 10/- each fully paid-up, to eligible employees of the Company and of the Subsidiary Company(ies) as per the scheme of ESOP 2020 as approved by the Committee.

Provided however that the following persons shall not be eligible for ESOP 2020:

- a) an employee who is a "Promoter" or belongs to the "Promoter Group" as defined in the SBEB Regulations; or
 - b) a Director who either by himself or through his relatives or through any body corporate, directly or indirectly holds more than 10% of the issued and subscribed Equity Shares of the Company; or
 - c) Independent Directors.
- d.** Requirements of vesting, period of vesting and maximum period within which the Options shall be vested

The Committee may, at its discretion, lay down certain parameters such as work performance, period of service, rank or designation and such other parameters on the achievement of which such Options would vest and the proportion in which

Options granted would vest subject to the minimum vesting period of 1 (one) year. However, the vesting period of 5,00,000 (Five lakh only) Options to be granted to Mr Ajay Mahajan shall be as follows:

1/3rd (1,66,667) on completion of one year from the date of grant
1/3rd (1,66,667) on completion of second year from the date of grant
1/3rd (1,66,666) on completion of third year from the date of grant.

Also, vesting is case of various scenarios such as death, permanent incapacitation, retirement, voluntary resignation, termination of employment for cause or without cause etc. shall be governed by the terms of the scheme of ESOP 2020.

e. Exercise price or pricing formula

The exercise price per stock option shall not be less than face value of equity share and shall not exceed market price of the equity share of the Company (as may be applicable) or such other price as the Board or the Nomination and Remuneration Committee may, at its sole discretion, approve and determine as on date of grant of option. However, in respect of 5,00,000 (Five lakh only) Options to be granted to Mr Ajay Mahajan, the Exercise Price shall be the price INR 340/- per share pursuant to terms of his appointment as a Managing Director and Chief Executive Officer of the Company. Further, the grantee shall bear the tax liability arising out of grant of options.

f. Exercise period and the process of Exercise

The vested Options shall be eligible for exercise on and from the date of vesting. The vested Options need to be exercised within a maximum period of 2 (two) years from the date of vesting of such Options. The vested Option shall be exercisable by the Employees who desire to exercise such Options in such manner prescribed by the Committee from time to time. The Options shall lapse if not exercised within the specified exercise period.

g. Appraisal process for determining the eligibility under ESOP 2020

The appraisal process for determining the eligibility of the employees will be decided by the Committee from time to time. The employees would be granted Options under ESOP 2020 based on parameters such as work performance, period of service, rank or designation and such other parameters as may be decided by the Committee from time to time.

h. Maximum number of Options to be issued per employee and in aggregate

The number of Options that may be granted to any specific employee under the scheme of ESOP 2020 shall not exceed the number of Shares equivalent to 1% of the Issued Share Capital of the Company per grant and in aggregate except for 5,00,000 (Five lakh only) Options to be granted to Mr Ajay Mahajan pursuant to terms of his appointment as a Managing Director and Chief Executive Officer of the Company for which specific approval from members of the Company through a separate special resolution is sought as set out in Item No. 8 of this Notice.

i. Maximum quantum of benefits to be provided per employee under ESOP 2020

Apart from grant of Options as stated above, no monetary benefits are contemplated under ESOP 2020.

j. Whether ESOP 2020 is to be implemented and administered directly by the Company or through a trust

ESOP 2020 will be implemented by the Company directly as per the SBEB Regulations

k. Whether ESOP 2020 involves new issue of shares by the Company or secondary acquisition by the trust or both

ESOP 2020 contemplates only new issue of Securities by the Company

l. The amount of loan to be provided for implementation of ESOP 2020 by the Company to the trust, its tenure, utilisation, repayment terms, etc.

The Company will not provide any loan for implementation of ESOP 2020.

m. Maximum percentage of Secondary Acquisition that can be made by the trust for the purpose of the scheme

Not Applicable

n. Accounting and Disclosure Policies

The Company shall follow the relevant Indian Accounting Standards (Ind-AS), prescribed from time to time, including the disclosure requirements.

o. Method of valuation of Options

The Company shall adopt 'fair value method' for valuation of Options as prescribed under Guidance Note or under any Ind-AS, as applicable, notified by appropriate authorities from time to time.

Regulation 6(1) of SBEB Regulations requires that every employee stock option scheme shall be approved by the members of the Company by passing a Special Resolution in a General Meeting. Further, as ESOP 2020 will entail further issue of shares, consent of the members is required by way of a Special Resolution pursuant to Section 62(1)(b) of the Companies Act, 2013. Accordingly, the Special Resolution set out at Item No. 7 of this Notice is proposed for approval by members.

As per Regulation 6(3) of SBEB Regulations, a separate special resolution is required to be passed if the benefits of an employee stock option scheme are to be extended to employees of the subsidiary company(ies). Accordingly, the Special Resolution set out at Item Nos. 8 of this Notice is proposed for approval by members.

The Options to be granted under ESOP 2020 shall not be treated as an offer or invitation made to public for subscription of securities of the Company. The ESOP 2020 conforms to the SBEB Regulations.

Directors / Key Managerial Personnel of the Company / their relatives who may be granted Options under ESOP 2020 may be deemed to be concerned or interested in the Special Resolutions at Item Nos. 7 and 8 of this Notice. Save as aforesaid, none of the Directors / Key Managerial Personnel of the Company / their relatives are, in any way, concerned or interested, financially or otherwise, in the said Special Resolutions.

The Board commends the Special Resolutions set out at Item Nos. 7 and 8 of this Notice for approval by the members.

Item No. 9

Pursuant to terms of appointment of Mr. Ajay Mahajan as a Managing Director and Chief Executive Officer of the Company as set out at Item No. 5 of this explanatory statement to the Notice and Considering the scale of business of the Company and the responsibilities on Mr. Ajay Mahajan, Managing Director and Chief Executive Officer of the Company, the Board at its meeting held on August 10, 2020 based on the recommendation of the Nomination and Remuneration Committee of the Company, has recommended for approval of the shareholders, the grant of Employee Stock Options equal to or exceeding 1% of the issued share capital of the Company in any one year under 'CARE Employee Stock Option Scheme 2020' ("ESOP 2020") to Mr. Ajay Mahajan, Managing Director and Chief Executive Officer of the Company, the details of which are mentioned in the proposed resolution as set out in Item No. 9 of this Notice.

CARE Ratings wanted to hire a leader with a record of strong entrepreneurial quality considering the transformational role the new MD & CEO was expected to play at the company. However, given the difficult times for the industry and company, we did not have the ability to pay a market based compensation for this position fully in cash.

Hence it was decided by the NRC of the Board that the compensation should be a mix of cash and stock options so as not to put financial pressure on the company at this point of time. Accordingly it was decided to compensate the MD & CEO through two parts – one part as cash compensation in the form of a fixed salary and fixed first year incentive and second part as 500,000 ESOPs at the strike price of 340 rupees. This we believe will also help to align his market expectations with the performance of the company.

Except, Mr. Ajay Mahajan, none of the other Directors, Key Managerial Personnel or their relatives are concerned or interested, financially or otherwise, in the Resolution at Item No. 9 of the Notice. Mr. Ajay Mahajan is not related to any other Director or KMP of the Company.

The Board commends the Special Resolutions set out at Item No. 9 of this Notice for approval by the members.

Pursuant to Regulation 36(3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Secretarial Standards issued by The Institute of Company Secretaries of India, the following information is furnished about the Directors proposed to be re-appointed/appointed.

Name of the Director	Mr.. V Chandrasekaran (DIN: 03126243)	Mr. Ajay Mahajan (DIN: 05108777)
Age (Years)	63	52
Nationality	Indian	Indian
Date of first Appointment on the Board	November 15, 2017	April 15, 2020
Shareholding in the Company	NIL	NIL
Qualification	FCA & B. Com	MBA
Brief resume and Expertise in specific functional area	He is a qualified Chartered Accountant and retired Executive Director (Investment) LIC of India. He has more than 3 decades of experience in Life Insurance Finance, Housing Finance and Mutual Fund Investment, with adequate exposure to a gamut of Investments. Also involved in Investment decision making processes, Investment Monitoring & Accounting and Investment Research and Risk Management. He is also a Board Member of various companies.	He has around three decades of experience in the banking sector, and was with Bank of America for a very long time, then with UBS, Yes Bank and IDFC First Bank. He has also worked in various entrepreneurial assignments in BFSI segment. Detailed given in Item No. 6 in the explanatory statement.
Terms & Conditions of re-appointment/ variation of Remuneration	NA	As per Item No. 6
Remuneration last drawn	NA	NA
Directorships held in other Companies (excluding Directorship in private and companies under Section 8 of the Companies Act, 2013)	<ul style="list-style-type: none"> • Tamilnadu Newsprint and Paper Ltd. • Aditya Birla Housing Finance Ltd. • LICHFL Asset Management Co Ltd. • Legal Entity Identifier India Ltd. • Tata Asset Management Ltd. • Aditya Birla Renewables Subsidiary Ltd. • Aditya Birla Renewables SPV1 Ltd. • TATA Investment Corporation Limited • CARE Ratings Limited 	NA
Chairman/Membership in committees of the Board of Directors of other Listed Company in which he/she is a Director	5- Chairmanships 3- Memberships	NA
Inter-se relationship with other directors/ Key Managerial Personnel	NIL	NIL
No. of Board meetings attended during the year	13 (Thirteen)	NA

By the Order of Board

Date: Mumbai
Place: August 10, 2020

Navin Kumar Jain
Executive Director & Company Secretary

CARE Ratings Limited

Registered & Head Office:

4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai 400 022.

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