



Credit Analysis & Research Ltd.

21ST ANNUAL REPORT

2013-2014

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MESSAGE FROM MANAGING DIRECTOR & CEO



I am pleased to announce that your company has continued its strong performance in the year gone by, notwithstanding the challenging circumstances. Fiscal '14 was yet another tough year for the economy with GDP growth being recorded at 4.7%, making it the second consecutive year of sub 5% growth. Inflation was a pressing concern for the larger part of the year with a sharp and persistent rise in agricultural produce prices impacting the overall inflation indices. The RBI hence took an aggressive stance to fight inflation with repeated repo rate hikes, which in turn also affected investment decisions. The economy also struggled with a slowdown in the manufacturing industry as the sector slipped into recession with successive negative growth rates in industrial production. All this led to lower level of activity in the debt and credit markets, which had an impact on the pool of assignments that came up for rating.

We as an organization had to think harder and work towards maintaining our business numbers on a large base that had been constructed in the earlier years. Looking at how your company has performed notwithstanding these odds, it can be said with a modicum of satisfaction that the company has fared creditably in terms of maintenance of profit margins and a growth in the top line.

In the above context then, it is pleasing to share with you some of our financial numbers. Your company recorded growth of 17% in total income from Rs 227 crore in FY13 to Rs 265 crore in FY14. Rating income increased from Rs 197 crore to Rs 227 crore during this period. Growth in our credit rating business led to an increase in Profit after Tax (PAT) to Rs 129 crore in FY14 from Rs 113 crore in the previous year. Our PAT margin was maintained at 49% in FY14. Along with rising profits, we have also maintained a rising dividend payout ratio over the years which stood at 74% in FY14 up from 58% in FY13.

I credit the relentless effort of our business team in bringing our clients on board and our ratings team in completing the assignments in a timely manner which helped us to attain this objective. In fact, I am happy to state that CARE now has the highest share of clients in ET's (Economic Times) Top 500 and BS (Business Standard) Top 1000 list for FY13. This clearly gives us a solid foundation on which we can cement the bricks in future. As a mark of recognition for the work put in by our employees, the company has also introduced an ESOP Scheme during the year. The performance is further validated by our expanding clientele which, increased in FY14 by 2,491 taking our total number of clients up to 7,754.

I would like to also highlight two major developments that have taken place this year. The first is that of ARC Ratings, a joint venture of five domestic credit rating agencies in five countries of which your company is one of the partners, was launched in January 2014. This is the first of its kind in the world and we are observing a lot of interest in this agency. The second is that CARE Kalypto started its advisory practices.

We do believe that the road to continued success is to think right and implement fast so that we reduce the gestation periods. While we would like to be sanguine that conditions would be better in FY15 as both the government and RBI have projected higher growth rates relative to FY14, we would prefer to be conservative and look at other options too so that we de-risk our overall business. With the new government at the helm, and better growth prospects for the country, there is a sense of general recovery in the industry. Business for rating agencies is bound to pick up as investments increase in the economy. Hence, we remain optimistic about CARE's growth in the ongoing fiscal. Juxtaposed with our persistent efforts and skilled analysis, we will continue delivering up to the market expectations.

We do start the New Year with renewed enthusiasm and remain committed to delivering high value to our stakeholders. We have created the structures in terms of systems, technology and human resources, which will be the foundation for the implementation of our future strategies as we work towards achieving the goals set for ourselves.

D.R. Dogra
Mumbai

MESSAGE FROM DEPUTY MANAGING DIRECTOR



Your company did go through challenging times once again in FY14 as the big push witnessed in the earlier years had gotten punctuated with the Indian economy slowing down significantly for the third successive year. The lower growth levels reflected low investment in the country, which was for various reasons on the demand and supply sides as the policy makers worked hard to set right the environment. But all this meant that there was less demand for funds which in turn narrowed down the canvas that rating agencies could look at for expansion purposes.

We as an organization had to think harder and work towards maintaining our business numbers on a large base that had been constructed in the earlier years. The focus had to be on customer relationship and building on the same. In our business, relationships are sticky and the efforts put in the last two decades did help us to retain such business notwithstanding the growth in competition. We have been relentlessly working on furthering relations with our customers while also simultaneously being on the lookout for new customers. This we believe is a clue to the way forward as once the economy recovers and the credit and debt markets improve, we could enhance our customer additions. We also looked at a larger number of smaller ticket size clients, essentially in the SME segment. This we consider to be an achievement as we have expanded our client base. In a way it could be said that FY14 was probably the most challenging year in the last two decades or so, and to come out creditably could be termed as passing the litmus test.

While one can never be sure of the future, our endeavor is to hone our analytical expertise in this area so as to deliver the right ratings all the time, as the quality of the rating is of utmost importance in this industry. In this respect we have been working towards improving skill sets of our analysts so that we are up-to-date with the changing requirements.

We are aware of the demands from investors who do expect the company to keep replicating its good performance every year. This is where we have been strategizing continuously to look at every opportunity which can be leveraged to grow our overall business. The SME/SSI segment is once such vast and unexplored area that we can keep working towards taking a larger slice progressively.

FY14 was a significant year for us as it was our twentieth anniversary and we did work on improving the visibility of Brand CARE Ratings. By holding several interactive sessions with leading CEOs at various locations we did intensify our efforts at branding. This went along with various other knowledge sharing forums, webinars on various industries where our experts presented and conversed with the audience. In addition, we participated and partnered in various reputed seminars by way of preparing the knowledge papers. This was possible due to the deep reservoir of knowledge that resides in the company.

Quite clearly we do look forward to better times in FY15 and our focus will be on growing and consolidating our existing business. We do have a number of interesting products in the grading area, such as real estate & equity, which will stand to benefit when overall economic conditions improve. There is expectation that with a new stable government in place investment conditions will improve significantly which in turn could lead to a turnaround in the overall state of the economy. The way things unfurl will set the signals for us in the coming year.

Rajesh Mokashi

Mumbai

DIRECTORS & COMMITTEE MEMBERS

Directors

Mr. A. K. Bansal	Chairman
Dr. Ashima Goyal <i>(with effect from August 26, 2014)</i>	Director
Mr. S. Venkatraman	Director
Ms. Bharti Prasad <i>(upto August 23, 2014)</i>	Director
Mr. D. R. Dogra	Managing Director & CEO
Mr. Rajesh Mokashi	Dy. Managing Director

Audit Committee

Mr. A. K. Bansal	Chairman
Mr. S. Venkatraman	
Dr. Ashima Goyal <i>(with effect from August 26, 2014)</i>	
Ms. Bharti Prasad <i>(upto August 23, 2014)</i>	
Mr. Rajesh Mokashi	

Stakeholders Relationship Committee

Mr. A. K. Bansal	Chairman
Ms. Bharti Prasad <i>(upto August 23, 2014)</i>	
Mr. D. R. Dogra	

Nomination & Remuneration Committee

Mr. S. Venkatraman	Chairman
Mr. A. K. Bansal	
Ms. Bharti Prasad <i>(upto August 23, 2014)</i>	

Rating Committee

Mr. Y. H. Malegam	Chairman
Mr. V. Leeladhar	
Mr. V. K. Chopra	
Mr. P. P. Pattanayak	
Mr. D. R. Dogra	

Investment Committee

Mr. S. Venkatraman	Chairman
Mr. D. R. Dogra	
Mr. Rajesh Mokashi	

ESOP Compensation Committee

Mr. A. K. Bansal	Chairman
Mr. S. Venkatraman	
Mr. D. R. Dogra	

Corporate Social Responsibility Committee

Ms. Bharti Prasad <i>(upto August 23, 2014)</i>	Chairperson
Mr. A. K. Bansal	
Mr. Rajesh Mokashi	

Bankers

IDBI Bank Ltd.
HDFC Bank Ltd.
State Bank of India

Statutory Auditors

M/s. Khimji Kunverji & Co.
Chartered Accountants

Internal Auditors

M/s. Pravin Chandak & Associates
Chartered Accountants

BOARD OF DIRECTORS



Mr. A.K. Bansal is the Chairman and an Independent Director of your Company. He worked as Executive Director of Indian Overseas Bank between 2010-13. He is a Post Graduate in Agriculture from the renowned G B Pant Agriculture University, Pant Nagar, Nainital and recipient of ICAR Junior Research Scholarship. He joined Union Bank of India as Agricultural Field Officer at the age of 23 years in the year 1976. He has had a highly successful and rewarding career path at Union Bank during which he was awarded Super Achiever and Star Performer status, conferred with the Chairman Club Membership and was entrusted with some of the most challenging and coveted assignments of the Bank. He was also the driving force for setting up the Bank's Capital Market Cell at Mumbai and establishing the Bank's first museum at M S M branch in Mumbai. At Indian Overseas Bank, among other portfolios, he had exclusive charge of Large Corporate, International, MSME, Planning, NPA management, Agriculture & Priority Credit, Inspection & Audit, Public Relations, Customer Service & Vigilance. He has been conferred the "Indira Super Achiever Award" for the year 2010-11 by the Indira Group of Institutions, Pune in recognition of his high contribution value to the field of Banking and Finance during his banking career. He is also on the Board of Directors of Canara HSBC Oriental Bank of Commerce Life Insurance Company Limited. He has been associated with our company as chairman and independent director since December 03, 2013.



Mr. S. Venkatraman is an Independent and Non-Executive Director of your Company. He holds a Bachelor's degree in Commerce from University of Mumbai and is a qualified Chartered Accountant. He has more than 26 years of experience as a practicing Chartered Accountant. He is currently a partner of V. Sankar Aiyar & Co., Chartered Accountants. He is on Board of Directors for Chennai Petroleum Corporation Ltd., UTI Retirement Solution Ltd. & Shriram Properties Pvt. Ltd. He has been associated with our Company as an Independent Director since May 12, 2006. He is liable to retire by rotation at the ensuing Annual General Meeting. He has intimated the Company that due to pre-occupation he does not wish to seek re-appointment at the ensuing Annual General Meeting.



Ms. Bharti Prasad is an Independent and Non-Executive Director of your Company. She holds a Master's degree in Arts and an M.Phil degree from Punjab University, Chandigarh. She has more than 39 years of experience in finance, accounts, audit, oversight and administration. She was a member of the Indian Audit & Accounts Service and retired as Deputy Comptroller & Auditor-General. She has held various positions including Principal Accountant-General, West Bengal, Joint Secretary Department of Expenditure, Ministry of Finance, Director, National Academy of Audit & Accounts, Shimla and Accountant-General, Uttar Pradesh. She has also worked with United Nations Children Fund, New York. She was a member of the Advisory Group on Evaluation and Audit of the International Civil Aviation Organization, Montreal, Canada and, member of the International Public Sector Accounting Board (IPSASB), New York. She is Independent Monitor to the Ministry of Defence and to the Ministry of Food Processing Industries. She has been associated with our company as an Independent Director since July 29, 2010. She resigned from the Board of Directors on August 23, 2014.



Dr. Ashima Goyal was appointed as an additional director of the Company on August 26, 2014 as per the provisions of section 161 of the Companies Act, 2013. She is a B.A. (Honours) Economics from Delhi University and M.A. and M. Phil. from Delhi School of Economics, Delhi University, and Ph.D. from Bombay University. She has rich experience in the field of open economy macroeconomics, international finance, institutional and development economics, in which she is widely published. Her research has received national and international awards. She is editor of an OUP handbook on the Indian economy and a Routledge journal on Macroeconomics and Finance. She is a Professor at Indira Gandhi Institute of Development Research, member of the Monetary Policy Technical Advisory Committee of the RBI, Vice-Chairperson and a Public Interest Director at MCX-SX, has been a member of various committees of Reserve Bank, Government of India, Governing Council of the Exchange Traded Currency Derivatives Segment (ETCD) of the Bombay Stock Exchange Ltd., and Indian Merchants Chamber, and has served on the Boards of MCX, MCX-SX Clearing Corporation, and National Institute of Bank Management.



Mr. D. R. Dogra is the Managing Director and Chief Executive Officer of your Company. He holds a Bachelor's and a Master's degree in agriculture from Himachal Pradesh University and a Master's degree in business administration (FMS), from University of Delhi. He is a certified associate of the Indian Institute of Bankers. He has more than 36 years of experience in the financial sector and in credit administration. Prior to joining our Company, he was associated with Dena Bank. He is a member of Western Region Economic Affairs, Sub Committee of Confederation of Indian Industry, Member of FICCI Maharashtra State Council, Executive Body of Swayam Siddhi College of Management & Research and Board of Governance of Universal Business School, Mumbai. He is an expert member of Academic Advisory Committee in Finance at Birla Institute of Technology. He is on Board of Directors of Association of Credit Ratings Agencies in Asia, Manila, Philippines, ARC Ratings Holdings Pvt Ltd, Singapore, CARE Kalypto Risk Technologies and Advisory Services Pvt Ltd., Public interest Director at MCX Stock Exchange Ltd. and ARC Ratings, SA, Portugal. He has been associated with your Company since 1993 and was appointed on the Board on June 30, 2008.



Mr. Rajesh Mokashi is the Deputy Managing Director of your Company. He holds a Bachelor's degree in Mechanical Engineering from VJTI, Mumbai and a Master of Management Studies degree from NMIMS University of Bombay. He is a qualified Chartered Financial Analyst and has also cleared Level III of the CFA Program conducted by the CFA Institute, USA. He has obtained a Diploma in Import and Export Management from Indian Institute of Materials Management. He has more than 27 years of experience in finance, commerce and credit risk sectors. He has been associated with OTIS Elevators Company (India) Limited, DSP Financial Consultants Limited and Kotak Mahindra Finance Limited in the past. He is on Board of Directors with CARE Kalypto Risk Technologies and Advisory Services Pvt. Ltd. He is also a Member of Empanellment Committee of NISM. He has been associated with your Company since 1993 and was appointed on the Board on August 22, 2009.

RATING COMMITTEE MEMBERS



Mr. Y. H. Malegam

Y. H. Malegam, Chairman of Rating Committee is a former Managing Partner of S.B. Billimoria & Co, C.A. and former Co-chairman of Deloitte, Haskins & Sells C.A. He is a member – Central Board of Directors of Reserve Bank of India. He is also on the Board of First Source Solutions Limited, The Clearing Corporation of India, NSE, Siemens Limited, Western India Plywood Limited, Clariant Chemicals (India) Ltd and Member of the Committee of Indo German Chamber of Commerce. He has been associated with our Rating Committee since June 17, 1993.

Mr. P.P. Pattanayak



P.P. Pattanayak, is a former Managing Director of State Bank of Mysore and former Deputy Managing Director and Chief Credit Officer of SBI. He is also a member of the Board of Directors of IIFL Asset Management Company Limited and Shriram City Union Finance. He has been associated with our Rating Committee since June 03, 2009.



Mr. V. Leeladhar

V. Leeladhar, is a former Deputy Governor, RBI, and Chairman of Indian Banks Association (IBA). He was also former member of the Board of Directors for Institute of Banking and Finance, NABARD, National Housing Bank, New India Assurance Company Limited, General Insurance Corporation of India, Export Credit Guarantee Corporation of India Limited, Agriculture Finance Corporation Limited, Discount and Finance House of India Limited and SEBI. He is a member of the Board of Directors of Tata Global Beverages Limited. He has been associated with our Rating Committee since July 29, 2010.

Mr. V.K. Chopra



V.K. Chopra, is a former whole time member of SEBI and Chairman and Managing Director of Corporation Bank and Small Industries Development Bank of India. He was also the Executive Director of Oriental Bank of Commerce. He is a member of the board of directors of Jaiprakash Associates Ltd., Havells India Ltd., Future Retail Ltd., Rolta India Ltd., Bhartiya International Ltd., PNB MetLife India Insurance Co. Ltd., Responsive Industries Ltd., Religare Invesco Asset Management Co. Ltd., Reliance Capital Pension Fund Ltd., India Infoline Finance Co. Ltd. etc. He has been associated with our Rating Committee since July 29, 2010.



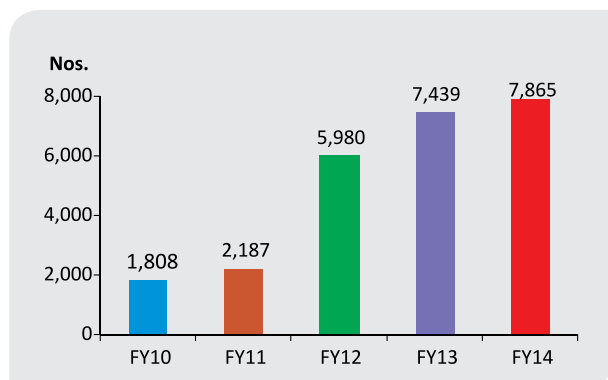
Mr. D. R. Dogra

D. R. Dogra is the Managing Director and Chief Executive Officer of your Company.

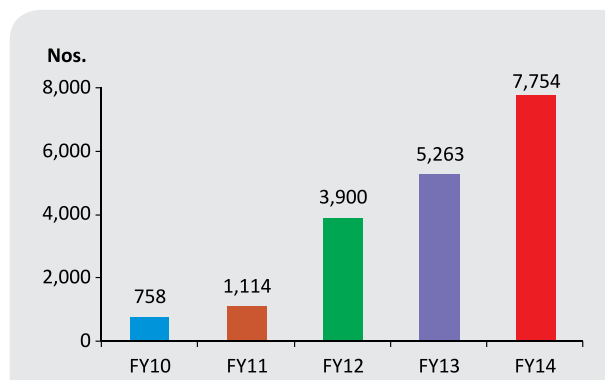
PERFORMANCE

Expansion in Business

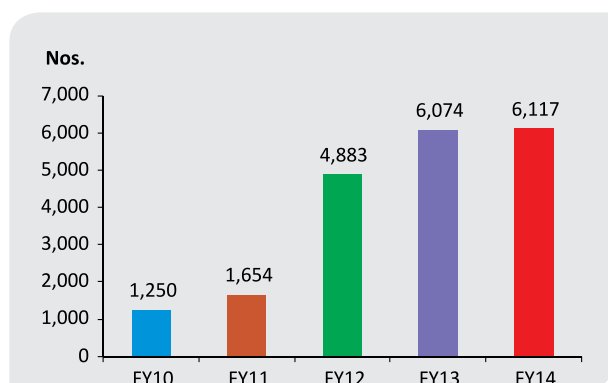
1. Number of Assignments



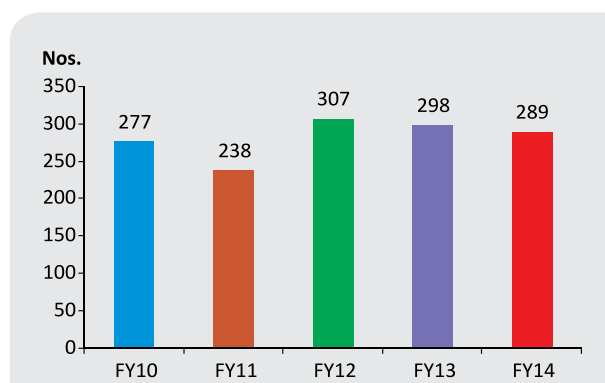
2. Number of Active Clients



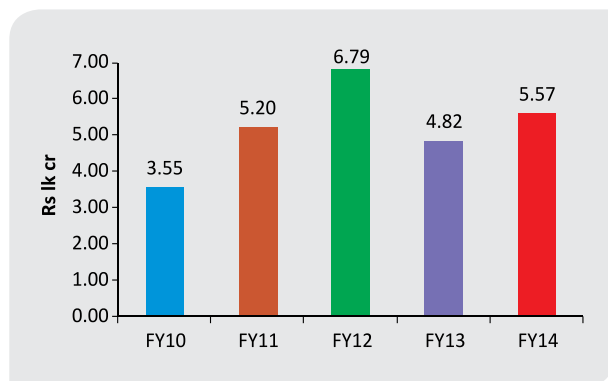
3. Bank Facility - No of Instruments Rated



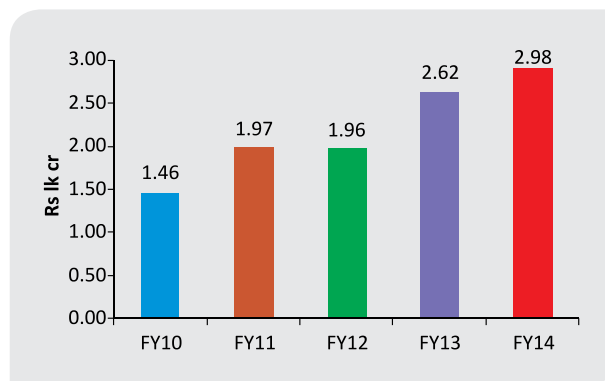
4. Debentures/Bonds - No of Instruments Rated



5. Volume of Bank Facility Ratings Rated

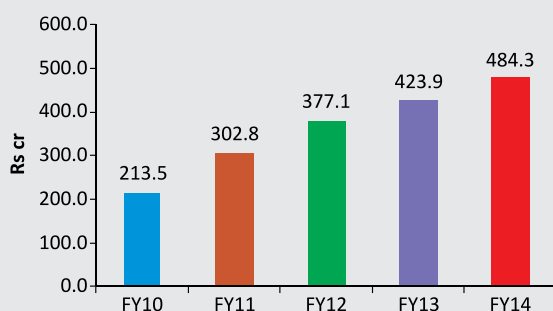


6. Volume of Debentures/Bonds Rated

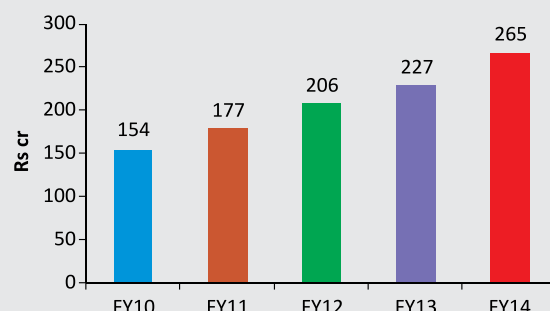


Value Creation

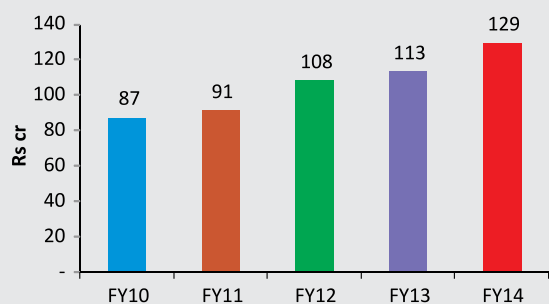
7. Network



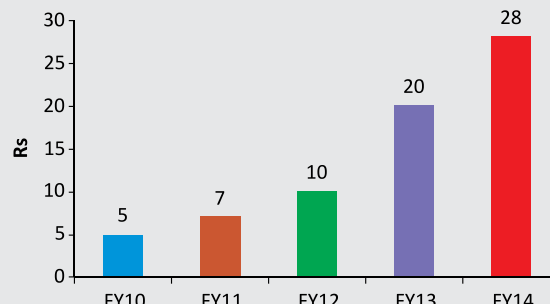
8. Total Income



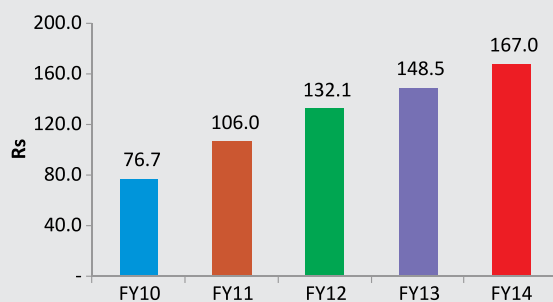
9. Profit After Tax



10. Dividend Per Share



11. Book Value Per Share



12. Earnings Per Share (Diluted)

