



25TH
ANNUAL REPORT
2017-2018

CARE Ratings Limited
(Formerly known as Credit Analysis and Research Limited)

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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**S. B. Mainak**

Message from Chairman

The Indian economy had successfully gone through a major economic reform called the GST which is probably the biggest game changer going forward. The integration of the unorganized sector with the formal economy will be a major step that will enhance efficiency and result in higher growth in the long run. However, on account of this reform there was considerable adjustment made by corporates with respect to their inventories in the first quarter which was then compensated by higher production in the subsequent quarters. Therefore, performance tended to be uneven which also came in the way of fresh investment decisions. GDP growth came in lower at 6.7% compared with 7.1% in FY17 and gross fixed capital formation, which is the best macro indicator of the state of investment, remained flat at 28.5%. This is the background against which the performance of your company has to be evaluated.

For a rating company like yours' business comes from two main segments – corporate debt raised and bank loans rated. Here the overall picture was lower with total debt issuances being at Rs 6.04 lakh crore against Rs 6.70 lakh crore in FY17. While bank credit growth at the aggregate level recovered by March end, the two segments pertinent to a rating agency, industry and services registered growth rates of 0.7% (-1.9%) and 13.8% (16.9%) respectively. However, notwithstanding a lower macro performance your company attained higher growth of 24.9% in new business from Rs 13.19 lakh crore to Rs 16.48 lakh crore in FY18. Your company has done well in the CP and SME segments as well which has enabled topline growth of 14.7%. Net profit is now at Rs 161 crore with growth of 5.8% in FY18. We can say with some pride that we continue to have a dominant share in the ET-500, BS-1000 and FE-500.

The rating environment was supported by two regulatory interventions. The first was the dual rating for CPs which has

been a major benefit for us as we have made deeper inroads into this business. Second, the IBC resolution procedure has also provided us good opportunities for rating which in turn has helped our business.

We have also been focused on enhancing business from our subsidiaries because we believe that while rating will be our flagship business, there are opportunities to leverage in associated business lines. The two rating joint ventures CARE Ratings Africa and Care Ratings Nepal are already functional and have done good business. We have also started expanding the operations of our new Wholly Owned Company CARE Advisory, Research and Training Services Limited (CART) which we believe has potential to contribute significantly to our overall business. While advisory and customized research has been shaping up well, we have also launched a new online training programme in February 2018. These efforts have been complemented by our other wholly owned company CARE Risk Solutions Limited which has done well this year.

Keeping in mind the support we have received from shareholders we have proposed a total dividend of Rs 55 per share. This includes a special dividend of Rs 25 per share which is to celebrate our twenty fifth anniversary. We would be working to continuously enhance shareholder value.

We look forward positively for the new financial year which we think will be better in terms of the macroeconomic indicators. As the investment cycle picks up funding requirements will be a challenge especially from banks and in this context the corporate debt market will play an important role progressively. Bank funding will supplement this effort given the ongoing resolution of the NPA challenge. The efforts of the government, RBI and SEBI to provide a boost to the corporate debt market will start bearing fruit this year and we will continue to work towards stretching and achieving our goals.

**Rajesh Mokashi**

Message from Managing Director & CEO

When the financial year started we did believe that the economic prospects would be better than FY17 post demonetization as the economy did come off well by March 2017. The introduction of GST in July was a major positive disruption which caused companies to readjust their production cycles which impacted investment decisions. As the year progressed an issue which came to the forefront was NPAs of banks and the resolution process. As several banks began recognizing their bad assets and went to the IBC for resolution the overall supply of credit was also impacted. Therefore, there have been some major changes in the economy which has added different hues to the contours of your company's business.

Here there has been dissimilar impact each pulling in different direction. The lower investment by companies and the slowdown in growth in bank credit came in the way of rating business. However, as the NPA resolution process involved a new business for us, the doors opened up further. We have been able to garner some business on this front. Simultaneously the RBI's rule on dual rating for CPs issued by companies which cross Rs 1000 cr in a year was leveraged by our business development team which is reflected in our business numbers. We had also focused a lot on the SMEs which we believe are the future of the country as these units will grow to become the LMEs of tomorrow. With the NSIC scheme virtually drying up, our strategy was to cross sell other products to these entities which has gotten reflected in our business growth.

We do realize that we are living in a challenging environment and we have to work best between these constraints. Regulatory changes can either enhance the contours or shrink them while the external environment including reforms can aid or come in the way of growth of business. The recent changes announced on dual rating of CPs or the RBI's large exposure norms provide a push to business. On the other hand we have

seen that the rollback of the NSIC scheme or the withdrawal of mandatory IPO grading can push back business. Similarly while we can gain from the investment cycle picking up, it can get diluted if companies fund the same from ECBs or Masala bonds.

As custodians of the shareholders' trust we do believe in working hard in anticipating these pain points and creating strategies to counter the same so as to ensure that we are always on the growth path. This is why we have believed in gradual diversification because by moving over to non-rating products through our subsidiaries there is potential to have a parallel business successfully run.

We continue to focus on our human resources which has delivered consistently and FY18 is no exception. Our focus has also been on making our ratings system more robust and the change in the hierarchy of ratings to internal ratings committees which was pursued this year has been a major success. We would like to be known as a knowledge driven company which gets reflected not just in our ratings but also as an entity which has cogent views on all relevant subjects. Our economics and industry research teams do ensure that the company's views on all business and economic developments are known.

Your company has completed its 25th year, which is a major milestone and we do think that the next 25 years will be very different for us posing challenges and opportunities. The financial landscape is undergoing a metamorphosis and we are continuously monitoring the same and adjusting our business models to be more than aligned with the surrounding. This we hope will help us to remain ahead of the curve and deliver superior returns to the shareholders.

Directors & Committee Members

●	Directors	Mr. S. B. Mainak	Chairman
		Mr. A. K. Bansal	Director
		Dr. Ashima Goyal	Director
		Mr. Milind Sarwate	Director
		Mr. Rajesh Mokashi	Managing Director & CEO
		Ms. Sadhana Dhamane (w.e.f. June 02, 2017).....	Non Executive Director
		Mr. V. Chandrasekaran (w.e.f. November 15, 2017)	Additional Director (Non-Executive Director)
		Mr. Adesh Kumar Gupta (w.e.f. May 22, 2018)	Additional Director (Independent Director)
●	Audit Committee	Mr. Milind Sarwate	Chairman
		Mr. S. B. Mainak	Member
		Dr. Ashima Goyal	Member
		Mr. A. K. Bansal	Member
●	Stakeholders Relationship Committee	Mr. S. B. Mainak	Chairman
		Ms. Sadhana Dhamane (w.e.f. August 22, 2017)	Member
		Mr. Rajesh Mokashi	Member
●	Nomination & Remuneration Committee	Mr. A. K. Bansal	Chairman
		Dr. Ashima Goyal	Member
		Mr. S. B. Mainak	Member
		Ms. Sadhana Dhamane (w.e.f. August 22, 2017)	Member
●	Corporate Social Responsibility Committee	Mr. Milind Sarwate	Chairman
		Dr. Ashima Goyal	Member
		Mr. A. K. Bansal	Member
		Mr. Rajesh Mokashi	Member
●	Human Resources (HR) Committee	Mr. S. B. Mainak	Chairman
		Ms. Sadhana Dhamane.....	Member
		Mr. Rajesh Mokashi	Member
●	Bankers	IDBI Bank Ltd. HDFC Bank Ltd.	
●	Statutory Auditors	M/s. Khimji Kunverji & Co. Chartered Accountants	
●	Internal Auditors	M/s. Pravin Chandak & Associates Chartered Accountants	

Board of Directors



Mr. S. B. Mainak

Chairman & Independent Director
Former Managing Director, Life Insurance Corporation of India



Mr. A. K. Bansal

Independent Director
Former Executive Director, Indian Overseas Bank



Dr. Ashima Goyal

Independent Director
Professor at Indira Gandhi Institute of Development Research



Mr. Milind Sarwate

Independent Director
Founder & CEO - Increate Value Advisors LLP



Ms. Sadhana Dhamane

Non Executive Director
Formerly Chief (INVM - Stress Asset Cell), LIC of India



Mr. V. Chandrasekaran

Additional Director (Non - Executive)
Former Executive Director (Investment) LIC of India



Mr. Adesh Kumar Gupta

Additional Director (Independent)
Former Whole time Director and CFO, Grasim and Former Director – UltraTech – Aditya Birla Group



Mr. Rajesh Mokashi

Managing Director & CEO,
CARE Ratings

Senior Management Team

T. N. Arun Kumar
Executive Director



Mehul Pandya
Executive Director



Revati Kasture
Senior Director



Swati Agrawal
Senior Director



Milind Gadkari
Senior Director



Sanjay Agarwal
Senior Director



Amod Khanorkar
Senior Director



Madan Sabnavis
Chief Economist



Chandresh Shah
Chief Financial Officer



Umesh Ikhe
Chief Technology Officer

24th Annual General Meeting

CARE Ratings held its 24th Annual General Meeting on 1st August 2017 at Shanmukhananda Hall in Mumbai



From left – **Ms. Sadhana P. Dhamane** Non Executive Director, **Mr. Rajesh Mokashi**, MD & CEO, **Mr. S. B. Mainak**, Chairman, **Mr. A. K. Bansal**, Independent Director & **Mr. Milind Sarwate**, Independent Director



Mr. S. B. Mainak, Chairman addresses the shareholders



Mr. Rajesh Mokashi, MD & CEO, addresses the shareholders



Shareholders casting their votes



Shareholders interaction

CARE Ratings Credit Markets Conclave 2018



▲ CARE Ratings' held its flagship event 'Credit Markets Conclave 2018' at Hotel Trident, Bandra Kurla Complex - Mumbai on 18 January '18. The conclave looked at 3 aspects of the Credit Markets i.e. Banking, Corporate Bond Market and Mutual Funds. The Conclave was inaugurated by the Deputy Governor of RBI Mr. N. S. Vishwanathan. Mr. Vishwanathan in his key note address provided an overview of the banking system. He also emphasized the important role of Credit Rating Agencies in the assessment and development of the corporate bond market along with the need for banks to hone their own credit appraisal skills.



▲ The MD & CEO, CARE Ratings, Mr. Rajesh Mokashi, posed questions pertaining to IBC, Bank recapitalization and convergence of Banks and NBFCs while moderating a panel discussion.



▲ Panel Discussion 1 – Future of Banking - (From left) – Mr. Rajesh Mokashi, MD & CEO, CARE Ratings as Moderator; Mr. H. R. Khan, Former Dy. Gov. RBI; Mr. Rashesh Shah, Chairman and CEO, Edelweiss Group; Mr. Karnam Sekar, Dy. MD & CCO, SBI & Mr. Neelkanth Mishra, Managing Director and India Equity Strategist, Credit Suisse