CARE Ratings
Professional Risk Opinion

26TH Annual Report

2018-19

CARE Ratings Limited

Vision

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

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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Notice

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 Chairman

S. B. Mainak

Dear Shareholders

The Indian economy has gone through a challenging phase in 2018-19 with a combination of domestic concerns and global headwinds. The annual growth for the economy has been revised downwards to 6.8% from earlier 7% by the CSO and now stands at a 5-year low. The limited expansion in consumption and investment has had a bearing on economic growth. However on the positive side, higher government spending has tended to support the economy with expenditure being directed in critical infrastructure sectors.

In addition, the liquidity pressures in the domestic NBFCs segment have been a problem during the second half of the year where a squeeze was witnessed in the market for some of them especially in the housing finance sector. The liquidity issue was partly addressed by the RBI through commercial banks but the sentiment continued to be cautious and spreads on bonds of these companies tended to be higher than those of non-NBFCs.

On the global front, trade uncertainties and geo-political tensions slowed down global growth while volatile crude oil prices continued to remain a concern for the growth prospects. The performance of the company in the current fiscal 2018-19 has to be evaluated against a more somber economic performance.

Though bank credit growth has seen a significant improvement in FY19, the growth has been driven by services sector credit growth at 17.8% (13.8%) with credit to the industry sector focused primarily on large corporates as against micro, small and medium entities. The domestic bond market, which was challenged by the asset-liability mismatches of few NBFCs, witnessed marginal increase of 7% in issuances during the year. The financial sector continued to dominate the corporate debt market with limited fund-raising by the non-financial companies.

Against the backdrop of these challenges your company's performance has been pressurized in terms of both growth in top line and profits. This we believe should hopefully get reversed in FY20. Both the volume of bank facilities and bonds rated have seen a significant growth with both recording an increase in the range of 25-30%. On account of these factors total income of your company declined marginally by 5.6% from Rs. 346.9 crs in FY18 to Rs. 327.2 crs in FY19. Net profit of your company has contracted from Rs. 161 crs in FY18 to Rs. 135 crs in FY19. We do however believe that this is a temporary phenomenon and appreciate your support in these times. We have therefore retained the dividend payout (consolidated) at 300% for the year subject to your approval.

One key change on the regulatory front is SEBI and RBI's Large Corporate Borrower Framework which is a positive impetus to deepen the corporate bond market. In addition, RBI's withdrawal of 20% limit for FPIs in a single corporate and introduction of voluntary retention route (VRR) for FPIs in the corporate bond market would benefit the bond market and in turn our business. This we believe will be positive for your company in the time to come.

We have also been focused on enhancing business from our subsidiaries as there are opportunities to leverage in associated business lines. Our subsidiaries CARE Risk Solutions Limited and CARE Advisory, Research and Training (CART) have boosted our consolidated revenues significantly. The two rating joint ventures CARE Ratings Africa and CARE Ratings Nepal are already functional and have done good business. A memorandum of understanding has also been signed with Russian rating agency – Analytical Credit Rating Agency (ACRA) to assist each other in developing a multi-lateral credit rating framework.

With the resounding victory of the incumbent government there will be continuity in policy framework. This does increase expectations of a revival in the domestic economy but we look forward positively albeit with caution for the new financial year. We do hope that growth will rebound in the second half of FY20 with macroeconomic indicators turning positive especially for investment. The two major issues in the financial sector that should get sorted out are the NPAs of banks and the liquidity challenges for the NBFCs.

The easing of these strains and a revival in the macroeconomic indicators in FY20 should help the industry and your company to generate the requisite momentum. We would continue to focus on enhancing shareholder value and continue to strive towards achieving your goals.

I would again like to thank you for your continued support to the management and the team at CARE Ratings in this regard.

Message from Managing Director & CEO

Rajesh Mokashi

This has been one of the most challenging years for rating industry in general and for our organization in particular where we not only had to deal with a 'not so conducive economic environment' but also the liquidity crisis that impacted the Indian financial system.

The expectations at the start of the financial year were optimistic based on an improved domestic macro-economic environment as there were no aggressive reforms expected as was witnessed in the preceding two years in the form of demonetization and GST implementation. However that was not the case. Following a favorable start of high economic growth of 8% (year-on-year) in the first quarter of 2018-19, growth slowed down continuously as the year progressed and slackened to 5 year lows. The hope for recovery in private investment failed to materialize which coupled with the system level liquidity constraints and prevailing NPA issue of banks weighed on flow of funds to the corporates. This had a direct bearing on the rating business of our company. However, we have learnt from the past that economic expectations are beyond one's control and strategies must be tuned to face adversity.

We have hence been steadfast in our pursuit of building on existing clientele across all segments. Our business development team's efforts in this regard are reflected in our business numbers. The demanding business environment also made us look inward and focus on create new strategies to ensure that we continue to be on the growth path. We have looked closely into the LME and SME segments that both hold potential to drive future business. We worked on creating strategies to deal with existing constraints as well as likely pressure points that could emerge so as to sustain and secure our growth trajectory. On the products side we have worked at creating alternative channels for the SME sector in the FinTech space which we believe will takeoff in the coming year.

At the same time we continue to pursue gradual diversification to non-rating products, such as risk management and advisory services, through our subsidiaries as we are convinced of the potential that exists there. This belief has come to bear fruit. While the domestic ratings business faced trying times, our subsidiaries, both domestic and overseas, have been firing on all cylinders and have witnessed impressive and encouraging growth this year. This is important for us as CARE Ratings has been known to be only a single product company. By getting the subsidiaries to contribute to the Group, our consolidated numbers have improved the overall financial picture.

We also forged new association, with Russian Rating Agency - Analytical Credit Rating Agency (ACRA) to further our analytical and research capabilities along with enhancing technological cooperation and investor reach.

We have paid special attention on bettering the rating operations. In our endeavor to strengthen the systems, robust processes were designed and implemented along with rigorous checks and balances. Various operations and processes were streamlined in this regard and brought in alignment with all the regulatory requirements, which has increased in scope.

As our human resources are our main assets who have always delivered we maintain our focus on them and have devised measures to incentivize analysts to build and develop analytical prowess. We are known to be a knowledge based company which is reflected in not just our ratings assignments but also in our insights and views on varied and relevant subjects which makes know the company's views on business and economic developments. The reports and views put forward by our economics and industry research teams on all business and economic developments have been disseminated from clients to regulators and consistently garner good coverage in the media.

While your company has crossed various milestones, the coming times will bring challenges and opportunities alike. The RBI's large exposure norms and SEBI norm of raising a portion of debt would necessarily provide a push to business even as the private investment pick up would continue to be gradual and limited.

At the same time, given the developments in the financial system, regulatory oversight has increased which is good for the industry as it increases confidence of all players. It is being monitored and quickly adapted on a continuous basis to enable us to continue to grow and provide attractive returns to our investors and improved value to our various stakeholders.

Directors & Committee Members

Directors	Mr. S. B. Mainak	Chairman
	Mr. A. K. Bansal (Upto September 28, 2018)	Independent Director
	Dr. Ashima Goyal (Upto September 28, 2018)	Independent Director
	Mr. Milind Sarwate (Upto August 13, 2018)	Independent Director
	Mr. Rajesh Mokashi	Managing Director and CEO
	Ms. Sadhana Dhamane (Upto August 06, 2019)	Non- Executive Director
	Mr. V. Chandrasekaran	Non- Executive Director
	Mr. Adesh Kumar Gupta (w.e.f. May 22, 2018)	Independent Director
	Ms. Sonal Gunvant Desai (w.e.f. March 30, 2019)	Additional Director (Independent Director)
	Mr. Najib Shah (w.e.f. July 17, 2019)	Additional Director (Independent Director)
	Dr. M Mathisekaran (w.e.f. August 19, 2019)	Additional Director (Independent Director)
	Mr. Ananth Narayan Gopalakrishnan (w.e.f. August 19, 2019)	Additional Director (Independent Director)

Board Reconstituted the Committees on July 31, 2019 as follows:

Audit Committee	Mr. Adesh Kumar Gupta	Chairman
	Mr. S. B. Mainak	
	Mr. V. Chandrasekaran	
	Ms. Sonal Gunvant Desai	
Nomination and Remuneration Committee	Mr. Adesh Kumar Gupta	Chairman
	Mr. S. B. Mainak	
	Ms. Sadhana Dhamane (Upto August 06, 2019)	
	Mr. Najib Shah	
Stakeholders Relationship Committee	Mr. S. B. Mainak	Chairman
	Ms. Sadhana Dhamane (Upto August 06, 2019)	
	Mr. V. Chandrasekaran	
Corporate Social Responsibility Committee	Mr. Najib Shah	Chairman
	Mr. S. B. Mainak	
	Mr. V. Chandrasekaran	
	Ms. Sadhana Dhamane (Upto August 06, 2019)	
Risk Management Committee	Ms. Sonal Gunvant Desai	Chairperson
	Mr. Adesh Kumar Gupta	
	Ms. Sadhana Dhamane (Upto August 06, 2019)	
	Mr. V. Chandrasekaran	
Human Resources (HR) Committee	Mr. S. B. Mainak	Chairman
	Ms. Sadhana Dhamane (Upto August 06, 2019)	
	Mr. Rajesh Mokashi	
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

1 **Mr. S. B. Mainak**
Chairman & Independent Director
Former Managing Director, Life Insurance Corporation 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 **Mr. V. Chandrasekaran**
Non Executive Director
Former Executive Director (Investment) LIC of India

4 **Ms. Sonal Desai**
Former ED - Refinery Finance - HPCL

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

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

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

8 **Mr. Rajesh Mokashi**
Managing Director & CEO,
CARE Ratings

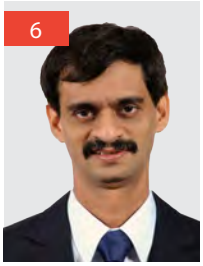
Senior Management Team

1 **Rajesh Mokashi**
Managing Director & CEO

2 **T. N. Arun Kumar**
Interim CEO

3 **Mehul Pandya**
Executive Director

4 **Navin Kumar Jain**
Executive Director &
Company Secretary



5 **Revati Kasture**
Senior Director

6 **Milind Gadkari**
Senior Director

7 **Swati Agrawal**
Senior Director

8 **Sanjay Agarwal**
Senior Director

9 **Amod Khanorkar**
Senior Director

10 **Madan Sabnavis**
Chief Economist

11 **Umesh Ikhe**
Chief Technology Officer

12 **P S Ramesh**
Senior Director

13 **Bharat Adnani**
Chief Financial Officer

14 **Sandeep Palodkar**
Director & Head HR

25th Annual General Meeting

CARE Ratings held its 25th Annual General Meeting on September 24, 2018 at Shanmukhananda Hall, Mumbai

Board of Directors From left:
Ms Sadhana P. Dhamane; Dr. Ashima Goyal; Mr. Rajesh Mokashi (MD & CEO); Mr. S. B. Mainak (Chairman); Mr. A. K. Bansal; Mr. V Chandrasekaran & Mr. Adesh Kumar Gupta

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

Mr. Rajesh Mokashi, MD & CEO interacting with shareholders

Shareholders casting their votes

CARE Ratings Nepal - Annual General Meeting

Representations from CARE Ratings Nepal Ltd: Mr. S. B. Mainak, Chairman (6th from left); Mr. Rajesh Mokashi, Director (3rd from left); Mr. Mehul Pandya, Director (8th from left); Dr. Binod Atreya, Director (2nd from left) & Mr. Sajan Goyal, CEO (9th from left).

CARE Ratings Nepal Limited held its 1st and 2nd Annual General Meeting on November 15, 2018, at Hotel Radisson, Kathmandu, Nepal

CARE Ratings Nepal - 1st Anniversary function

CARE Ratings Nepal Ltd (CRNL) hosted its 1st Anniversary function on November 15, 2018 at Hotel Radisson, Kathmandu, Nepal. From CARE Ratings, Mr. S. B. Mainak, Chairman, Mr. Rajesh Mokashi, MD & CEO and Mr. Mehul Pandya Executive Director were present at the event. From CRNL Mr. Sajan Goyal, CEO was present. The event was attended by Officials from Indian Embassy in Nepal, Nepal Rastra Bank, Securities Board of Nepal, Government of Nepal, Bankers, Insurance companies, local businessmen etc.