



ICRA

A MOODY'S INVESTORS
SERVICE COMPANY

ANNUAL REPORT
2016-2017

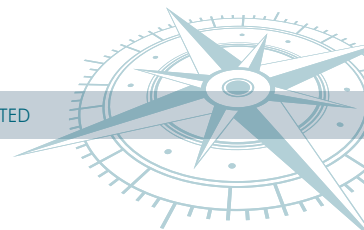


ENHANCING
**BUSINESS
VALUE**

THROUGH INTELLECTUAL LEADERSHIP

CONTENTS

ICRA at a Glance	2
Board of Directors	7
Senior Management	9
Key trends	10
Financial highlights	11
Directors' Report	13
Corporate Governance Report	36
Auditors' Report on Corporate Governance	65
Management Discussion and Analysis Report	67
Secretarial Audit Report	78
Dividend Distribution Policy	81
Report on Corporate Social Responsibility Activities	83
Business Responsibility Report	85
Financial Statement	
Standalone	
Independent Auditors' Report	95
Balance Sheet	100
Statement of Profit and Loss	101
Cash Flow Statement	102
Notes to the Financial Statements	104
Consolidated	
Independent Auditors' Report	128
Balance Sheet	132
Statement of Profit and Loss	133
Cash Flow Statement	134
Notes to the Financial Statements	136
Statement containing Brief Financial Details of Subsidiary Companies	164
Shareholders Frequently Asked Questions	166
Notice of the Twenty-Sixth Annual General Meeting	169



IN MEMORIAM



Mr. Pranab Kumar Choudhury (January 22, 1947 – November 22, 2016), former Chairman & Group CEO of ICRA Limited. He joined ICRA in 1991 as its first CEO and retired in January 2015



Mr. Amal Ganguli (October 17, 1939 – May 8, 2017), former Chairman and Senior Partner of PricewaterhouseCoopers. He was a member of the Board of Directors of ICRA Limited between March 2006 and July 2014



Mr. Saumitra Chaudhuri (January 11, 1954 - December 18, 2016), former member of the erstwhile Planning Commission and the Economic Advisory Council to the Prime Minister. He worked as Economic Advisor & Research Co-ordinator with ICRA Limited between April 1993 and June 2009

ICRA at a Glance

ICRA Limited (formerly Investment Information and Credit Rating Agency of India Limited) was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional Investment Information and Credit Rating Agency.

Today, ICRA, a full-service Credit Rating Agency with its shares listed on the BSE and the National Stock Exchange, has five subsidiaries: **ICRA Management Consulting Services Limited (IMaCS)**; **ICRA Online Limited (ICRON)**; **PT ICRA Indonesia (ICRA Indo)**; **ICRA Lanka Limited (ICRA Lanka)**, and **ICRA Nepal Limited (ICRA Nepal)**. Together, **ICRA and its subsidiaries, along with their subsidiaries, form the ICRA Group of Companies, that is, ICRA Group**. ICRA is majority-held by Moody's Group, which has 50.55% equity ownership stake in the Company.



Alliance with Moody's Investors Service

The international Credit Rating Agency Moody's Investors Service¹ is ICRA's largest shareholder. ICRA and Moody's Investors Services have entered into a Technical Services Agreement, which is aimed at benefiting ICRA's capabilities, through access to Moody's global research base and training tools. The agreement also envisages collaborative initiatives including joint outreach activities to address issues relating to the development of capital markets in India.

The ICRA Factor

Facilitating efficiency in business...

ICRA information products, Ratings, and solutions reflect independent, professional and impartial opinions, which assist businesses enhance the quality of their decisions and help issuers access a broader investor base and even lesser known companies approach the money and capital markets.

The research factor...

We strongly believe that quality and authenticity of information are derivatives of an organisation's research base. Working in collaboration, our teams for Monetary, Fiscal, Industry and Sector research generate comprehensive analysis and maintain the highest standards of quality and credibility.

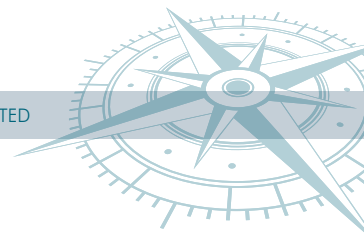
Committed to the development of the financial market...

The focus of ICRA in the coming years will continue to be on developing innovative concepts and products in a dynamic market environment, generating and promoting wider investor awareness and interest, enhancing efficiency and transparency in the financial market, and providing a healthier environment for market participants and regulators.

Our products and services are designed to:

- Provide information and guidance to institutional and individual investors/creditors.
- Enhance the ability of borrowers/issuers to access the money market and the capital market for tapping a larger volume of resources from a wider range of the investing public.
- Assist the regulators in promoting transparency in the financial markets.
- Provide intermediaries with a tool to improve efficiency in the funds raising process.

¹ through its group companies, Moody's Investment Company India Private Limited and Moody's Singapore Pte Ltd.



ICRA at a Glance

Group ICRA The Services Spectrum*

ICRA	ICRA Lanka**	ICRA Nepal***
RATING SERVICES • Credit Rating • Bank Loan Rating • Structured Finance Rating • Issuer Rating • Rating of SSIs/SMEs • Corporate Governance Rating • Project Finance Rating • Mutual Fund Rating • Rating of Claims Paying Ability of Insurance Companies GRADING SERVICES Microfinance Institutions, Construction Entities, Real Estate Developers and Projects, Education Institutes	RATING SERVICES • Credit Rating • Bank Loan Rating • Structured Finance Rating • Issuer Rating • Project Finance Rating • Mutual Fund Rating • Claims Paying Ability of Insurance Companies **The operations of ICRA Lanka Limited (ICRA Lanka) are limited to the Sri Lankan market	RATING SERVICES • Credit Rating • Bank Loan Rating • Issuer Rating • Project Finance Rating • Fund Management Quality Rating • Equity Grading • Claims Paying Ability of Insurance Companies ***The operations of ICRA Nepal Limited (ICRA Nepal) are limited to the Nepalese market
INDUSTRY RESEARCH		
www.icra.in	www.icralanka.com	www.icranepal.com

IMaCS	ICRON
RISK MANAGEMENT • Risk Analytics • Risk Advisory • Tools, models, Calculators • Software Solutions Financial Advisory • Financial Viability • Structuring Solutions • Enabling Transactions Outsourcing • Data Analytics • Programme management • Training • Information Products Policy Advisory • Financial Market micro structure • Improving access to finance • Improving Competitiveness	FINANCIAL INFORMATION PRODUCT AND SERVICES • Mutual Fund and ULIP Data and Content Provider • Investment Research and Analytics • Investor education content • Wealth and Transaction Management Software Products • IT Tools for Financial Planning and Analytics KPO SERVICES (BACK-END ANALYTICAL SERVICES SUPPORT) • Data Services • Research • Analytics
www.imacs.in	www.icraonline.com

*The list of services is indicative and not exhaustive

ICRA at a Glance

Range of Services

Rating Services

As an early entrant in the Credit Rating business, **ICRA Limited (ICRA)** is one of the most experienced Credit Rating Agencies in the country today. ICRA rates rupee-denominated debt instruments issued by manufacturing companies, commercial banks, non-banking finance companies, financial institutions, public sector undertakings and municipalities, among others. ICRA also rates structured obligations and sector-specific debt obligations such as instruments issued by Power, Telecom and Infrastructure companies. The other services offered include Corporate Governance Rating, Stakeholder Value and Governance Rating, Credit Risk Rating of Debt Mutual Funds, Rating of Claims Paying Ability of Insurance Companies, Project Finance Rating, Line of Credit Rating and Valuation of Principal Protected-Market Linked Debentures (PP-MLD). ICRA, along with National Small Industries Corporation Limited (NSIC), has launched a Performance and Credit Rating Scheme for Small-Scale Enterprises in India. The service is aimed at enabling Small and Medium Enterprises (SMEs) improve their access to institutional credit, increase their competitiveness, and raise their market standing.

ICRA Lanka Limited (ICRA Lanka), a wholly-owned subsidiary of ICRA, offers a wide range of Rating services in the Sri Lankan market, putting into use parent ICRA's accumulated experience in the areas of Credit Rating, Grading, and Investment Information. It's Rating focuses on entities in the financial and corporate sectors, besides long-, medium-, and short-term debt instruments issued by borrowers from various sectors of the economy.

ICRA Lanka also rates rupee-denominated debt instruments issued by commercial banks, non-banking finance companies, financial institutions, manufacturing, construction and service companies, among others. It also rates structured obligations and sector-specific debt obligations. The other services offered include Corporate Governance Rating, Stakeholder Value and Governance Rating, Credit Risk Rating of Debt Mutual Funds, Rating of Claims Paying Ability of Insurance Companies, Project Finance Rating, and Line of Credit Rating.

ICRA Nepal Limited (ICRA Nepal), a subsidiary of ICRA, offers a wide range of Rating services in the Nepalese market. Using the accumulated experience and technical support from the holding company, it has developed capability to execute the diversified product. ICRA Nepal rates rupee-denominated long-term, medium-term and short-term debt instruments. Its services also include Issuer Rating, Fund Management Quality Rating and Grading of Equity Offers. The Rating/ Grading service with current focus in the banking and finance, insurance and hydro-electricity sector is also being offered to manufacturing companies, infrastructure sector companies, service companies, small and medium sector entities etc. Further, ICRA Nepal also offers products including Bank Loan/Line of Credit Rating and will roll out the Rating of Claims Paying Ability of insurance companies in the near future.

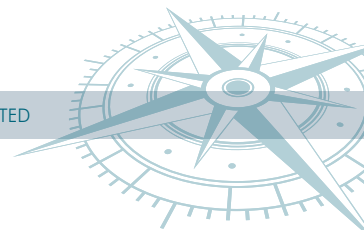
Grading Services

The Grading Services offered by ICRA employ pioneering concepts and methodologies, and include Grading of: Microfinance Institution (MFIs); Construction Entities; Real Estate Developers and Projects; and Maritime Training Institutes. These apart, ICRA has been offering services of Grading of the Renewable Energy Service Companies (RESCOs) and the System Integrators (SI); Grading of Management Education Institutes; Grading of Engineering Colleges/Universities; Grading of Fundamental Strength and Recovery Prospects; Assessment of the fundamental and financial strength of Real Estate Entities (REEs) & Real Estate Projects (REPs); and ICRA Corporate Responsibility and Sustainable-Business Grading.

Industry Research

Complementing the credit rating services, ICRA provides research services across the economy, industry and companies. The reports are tailored to meet the requirements of banks, mutual funds, insurance companies, PEs or venture funds and corporates.

ICRA Research covers 60 plus industries with the reports providing in-depth analyses across the following areas: Business and profitability outlook, industry analysis, competitive landscape, impact of regulatory environment, benchmarking of companies, industry credit profile, company profile on listed players, etc.



ICRA at a Glance

ICRA's 'Credit Perspectives' provide detailed analysis on ratings assigned. These reports broadly cover the following areas: Key rating considerations, Rating sensitivity factors, Rating rationale, Company profile, Business update, Business outlook, Financial update, Financial outlook, etc.

Consulting Services

ICRA Management Consulting Services Limited (IMaCS), a wholly-owned subsidiary of ICRA Limited, is an Advisory and Analytics firm with a global operating footprint in 45 countries across South Asia, South East Asia, West Asia, Africa, Europe, and North America. IMaCS focuses on providing advisory and analytics services that enable financial flows and transactions by way of various avenues including equity investments, debt financing, grant funding, spending under corporate social responsibility, development financing, and trade finance. IMaCS offers its services under four heads namely, (1) Risk Analytics (2) Financial Advisory (3) Outsourcing, and (4) Policy Advisory. IMaCS' clientele includes Banks and Financial Service Companies, Financial Investors, Corporates, Governments, Regulators, Multilateral/Bilateral Development Agencies, and Not-for-profit Organisations.

IMaCS offers its Outsourcing & Programme Management services through its wholly-owned subsidiary, Pragati Development Consulting Services Limited.

Knowledge Process Outsourcing and Online Software

Incorporated in 1999, ICRA Online Limited (ICRON) is a wholly-owned subsidiary of ICRA Limited with delivery centres in Kolkata and Mumbai. ICRON has three lines of business (LoBs) that offers outsourcing solutions in Data Services, Research, and Analytics to domestic and global clients. Timely, accurate, and affordable services help the company's clients achieve their business goals.

The Data Services segment offers basic and value-added services in areas of data extraction, aggregation, populating chart of accounts, validation, ratio analysis, accounting adjustments, data interpretation, etc. ICRON also provides operation support in areas such as data management and reconciliation and quality assurance.

The Research segment engages in mutual funds and other asset-class research, preparation of customized newsletters for domestic and global capital markets, news and event tracking, creation of innovative investor education content, preparation of company profiles, profiling of mutual fund schemes, etc.

Analytics is an emerging arena for ICRON. The segment offers services in the areas of predictive and marketing analytics.

ICRON is an ISO 9001:2008 and 27001: 2013 certified organisation.

Chairman Emeritus

Mr. D.N. Ghosh

Board of Directors

Mr. Arun Duggal
Chairman, Independent Director

Ms. Ranjana Agarwal
Independent Director

Ms. Radhika Vijay Haribhakti
Independent Director

Dr. Min Ye
Non Executive and Non Independent Director

Mr. Simon Richard Hastilow
Non Executive and Non Independent Director

Mr. Thomas John Keller Jr.
Non Executive and Non Independent Director

Ms. Farisa Zarin
Non Executive and Non Independent Director

Mr. Naresh Takkar
Managing Director & Group CEO

Board Committees**Audit Committee**

Ms. Ranjana Agarwal, Chairperson
Ms. Radhika Vijay Haribhakti
Mr. Arun Duggal
Dr. Min Ye

Nomination and Remuneration Committee

Ms. Radhika Vijay Haribhakti, Chairperson
Ms. Ranjana Agarwal
Mr. Simon Richard Hastilow

Stakeholders Relationship Committee

Mr. Simon Richard Hastilow, Chairman
Ms. Ranjana Agarwal
Mr. Naresh Takkar

Corporate Social Responsibility Committee

Ms. Ranjana Agarwal, Chairperson
Dr. Min Ye
Ms. Farisa Zarin
Mr. Naresh Takkar

ESOS Compensation Committee

Ms. Radhika Haribhakti, Chairperson
Ms. Ranjana Agarwal
Mr. Simon Richard Hastilow

Strategy Committee

Mr. Thomas John Keller Jr., Chairman
Dr. Min Ye
Mr. Simon Richard Hastilow
Mr. Naresh Takkar

Investment and Real Estate Committee

Ms. Ranjana Agarwal, Chairperson
Mr. Thomas John Keller Jr.
Mr. Naresh Takkar

Statutory Auditors

B S R & Co. LLP
Chartered Accountants

Solicitors

AZB & Partners
J. Sagar Associates
Luthra & Luthra Law Offices

Group Chief Financial Officer

Mr. Vipul Agarwal

General Counsel

Mr. Amit Gupta

Company Secretary & Compliance Officer

Mr. S. Shakeb Rahman

Bankers

HDFC Bank Limited
Kotak Mahindra Bank Limited

Registrar and Share Transfer Agent

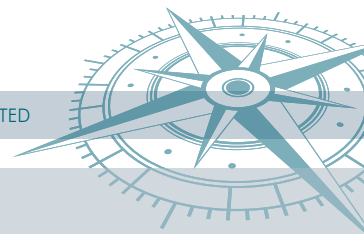
Link Intime India Private Limited

Registered Office

1105, Kailash Building
11th Floor, 26,
Kasturba Gandhi Marg
New Delhi – 110 001

Corporate Office

Building No. 8, 2nd Floor,
Tower A, DLF Cyber City,
Phase II, Gurgaon – 122 002,
Haryana



ICRA Board of Directors



Mr. Arun Duggal is the Non-Executive Chairman and an Independent Director of ICRA Limited. He is also a Visiting Professor at the Indian Institute of Management, Ahmedabad where he teaches a course on Venture Capital, Private Equity and Business Ethics. He is an experienced international Banker and has advised companies and financial institutions on Financial Strategy, M&A and Capital Raising.

Mr. Duggal is also Chairman of Board of Directors of International Asset Reconstruction Company Private Limited and Mangalore Chemicals & Fertilizers Limited. He is on the Boards of ITC Limited, Info Edge, Dish TV India Limited, Dr. Lal PathLabs Limited and Inversion Management Services Private Limited.

Mr. Duggal had a 26 years career with Bank of America, mostly in the U.S., Hong Kong and Japan. His last assignment was as Chief Executive of Bank of America in India from 1998 to 2001. He is an expert in international finance and from 1981-1990 he was head of Bank of America's (oil & gas) practice handling relationships with companies like Exxon, Mobil, etc. From 1991-94 as Chief Executive of BA Asia Limited, Hong Kong he looked after Investment Banking activities for the Bank in Asia. In 1995, he moved to Tokyo as the Regional Executive, managing Bank of America's business in Japan, Australia and Korea.

Mr. Duggal is involved in several initiatives in social and education sectors. He is Senior Advisor, Asia Pacific for Transparency International, Berlin devoted to create change towards a World free of Corruption. He was erstwhile Chairman of the American Chamber of Commerce, India.

A Mechanical Engineer from the prestigious Indian Institute of Technology, Delhi, Mr. Duggal holds an MBA from the Indian Institute of Management, Ahmedabad (recipient of Distinguished Alumnus Award).



Ms. Ranjana Agarwal is an Independent Director on the board of ICRA Limited and chairs the Audit and CSR committees. She is also on the board of four other listed companies.

Ms. Agarwal is the founder and managing partner of Vaish & Associates, Chartered Accountants and has over 30 years of experience in audit, tax and related services including succession planning and business valuations.

She was also a partner in CC Chokshi & Co. and Deloitte Haskins & Sells until 2000. Ms. Agarwal was the national president of the women wing of FICCI and currently chairs their 'FLO women directors' programme.

Ms. Agarwal has been part of the governing body of Vaish Associates Pulic Welfare Trust, Hardayal Viklang Kendra and Mobile Creches all NGOs working in the field of education, health and family welfare.

Ms. Ranjana Agarwal is a graduate in Economics from Lady Shri Ram College, Delhi University and has done her CA training from Price Waterhouse Coopers. She is the recipient of the Indira Gandhi Priyadarshini award for professional excellence.



Ms. Radhika Haribhakti (59 years) has over 30 years of experience in Commercial and Investment Banking with Bank of America, JM Morgan Stanley and DSP Merrill Lynch. She has advised several large corporates and led their Equity and Debt offerings in domestic as well as international capital markets. She now heads RH Financial, a boutique Advisory Firm focused on M&A and Private Equity.

She serves as an Independent Director on the Boards of Adani Ports & Special Economic Zone, EIH Associated Hotels Ltd, ICRA Ltd, Mahanagar Gas Ltd, Navin Fluorine International Ltd and Vistaar Financial Services Pvt Ltd.

She is a member of Audit Committee, Stakeholders' Relationship Committee, Nomination and Remuneration Committee of Adani Ports and Special Economic Zone Limited, member of Audit Committee of EIH Associated Hotels Ltd, member of Audit Committee and Chairperson of Nomination & Remuneration Committee and Employee Stock Option Scheme Compensation Committee of ICRA Limited, Chairperson of CSR Committee of Mahanagar Gas Ltd, member of Stakeholders' Relationship Committee of Navin Fluorine International Limited.

Ms. Haribhakti has also been closely involved with issues of women empowerment, financial inclusion and CSR and has served on Boards of non-profits for over 18 years, including 12 years as Chairperson. She is the former Chair of Friends of Women's World Banking (FWWB) and Swadhaar Finaccess, both non-profits engaged in providing financial solutions to women in economically disadvantaged communities. She has also served on the Governing Council of Citigroup Micro Enterprise Award and CII's National Committee on Women Empowerment.

Ms. Haribhakti is a Graduate in Commerce from Gujarat University and Post Graduate in Management from the Indian Institute of Management (IIM), Ahmedabad.

ICRA Board of Directors



Dr. Min Ye is a Non-Independent Director of ICRA Limited. He is the Managing Director and the Regional Head of Moody's Asia Pacific. He is responsible for formulating business growth initiatives, budgeting and planning, managing Moody's offices and affiliate relations, and monitoring the regulatory environment in the region.

Previously, he was the Managing Director and the Country Manager for Moody's China, as well as the Chief Executive Officer of China Chengxin International Credit Rating Co Ltd, Moody's affiliate in China.

Dr. Min, who joined Moody's as a Senior Analyst and Vice President in 1994, has also worked as the Managing Director of the Structured Finance Group for Asia Pacific (ex-Japan) in Hong Kong.

He has a BE and an ME in electrical engineering from Tsinghua University in Beijing. Michael also has a PhD in electrical and computer engineering from Carnegie Mellon University in the US.



Mr. Simon Richard Hastilow is a Non-Independent and Non-Executive Director of ICRA Limited. Mr. Hastilow is a Managing Director and Global Head of Relationship Management for MIS based in London. He is responsible for leading the global team that grows MIS's coverage share and revenue by developing relationships with new issuers in existing markets, penetrating new markets, and strengthening and expanding relationships with existing issuers and intermediaries.

Prior to joining Moody's Mr. Hastilow spent 11 years at Thomson Reuters where he led marketing and sales teams in the Corporate and Wealth Management sectors.

He was educated at university in London with a BA (Hons) in Business Studies, holds the Diploma of the Chartered Institute of Marketing and is an alumni of the 2007 AMP programme at INSEAD.



Mr. Thomas John Keller Jr. is a Non-Independent and Non-Executive Director of ICRA Limited. Mr. Keller is Managing Director and Head of both the MIS Commercial Group and Regional Management. As Head of the Commercial Group, Mr. Keller, drives MIS's sales and marketing efforts, product development and strategic initiatives. He manages all MIS commercial relationships with issuers seeking rating services, dedicated to aligning the services that Moody's delivers to the needs of the market, while providing effective and efficient customer service.

As Head of the Regional Management organization, he provides global leadership to advance, execute and communicate strategies across regions in which MIS operates. In this capacity, working closely with regional and country managers to enhance coordination and transparency, Mr. Keller leads business growth initiatives; planning, budgeting and regulatory monitoring outside the U.S.; and the management of Moody's global assets (people, products, offices, capabilities). In addition, he oversees the relationships with MIS non-Moody's-branded affiliates to manage risk exposure and enhance cooperation. He is also the executive sponsor of Moody's LGBTA Employee Resource Group and a board member of the Hetrick-Martin Institute.

Prior to this current role, and in addition to managing the Regional Management organization, Mr. Keller was responsible for all activities related to Moody's sovereign ratings that included ensuring the quality of those ratings and providing the analytical leadership to serve investors and issuers through its research. Before that, beginning in 2007, Mr. Keller was the Managing Director for the Global Public, Project and Infrastructure Finance Group, responsible for MIS's globally consistent methodology in assessing credit risk for all levels of financing across the group's widening portfolio. Mr. Keller has also served as the Head of MIS Asia Pacific, broadly responsible for Moody's offices and ratings in the region, first as Managing Director of the Ratings Group and then as Representative Director of Moody's Japan.

Mr. Keller joined the company in 1992 as a Senior Analyst covering a broad range of sectors, including high-grade corporates, high-yield industrials and financial services. Prior to Moody's, he worked at Chemical Bank and Manufacturers Hanover Trust Company. He earned a B.B.A. from the University of Rhode Island and an M.B.A. from Iona College.



Ms. Farisa Zarin is a Non-Independent and Non-Executive Director of ICRA Limited. Ms. Zarin is the Managing Director MCO Global Head, Government and Public Affairs. Her responsibilities include global interaction with policy makers, and securities, bank and insurance regulators. During her tenure at Moody's, Ms. Zarin has held senior positions in the Credit Policy group and the Global Compliance group. She has also worked in the Moody's Sovereign Risk Unit on an adjunct basis, focusing mainly on the legal ramifications of sovereign defaults. Prior to joining Moody's, Ms. Zarin worked as an attorney at the following organizations: the United Nations Office of the Prosecutor, International War Crimes Courts; the United States Senate Judiciary Committee; and the American Bar Association's Central and Eastern European Law Initiative.

Ms. Zarin attended Oberlin College where she earned a B.A. in Economics and Psychology; University of Wisconsin where she earned a J.D. and was placed on the Dean's List; and the Instituto Universitario Europeo where she earned an LL.M. in comparative law. She is a recipient of a MacArthur Foundation Scholarship, was the 1997 Fulbright Committee's nominee for the OSCE Fellowship, and the United States candidate for the NATO Fellowship.