

12<sup>TH</sup>  
ANNUAL REPORT  
1998 - 99



**The Credit Rating Information  
Services of India Limited**

## Board of Directors

12<sup>TH</sup>  
ANNUAL REPORT  
1998-99

N. Vaghul	Chairman (upto May 6, 1999)
B. V. Bhargava	Chairman (from May 11, 1999)
Dr. S. S. Baijal	
M. G. Bhide	
Dr. S. A. Dave	
Leo C. O'Neill	
S. Padmanabhan	
A. V. Rajwade	
B. R. Shah	
R. Ravimohan	Managing Director
Subodh K. Shah	Executive Director & Chief Rating Officer
Hemant Y. Joshi	Executive Director

Executive Committee	Investment Committee	Share Transfer Committee
B. V. Bhargava	B. V. Bhargava	B. V. Bhargava
Dr. S. S. Baijal	A. V. Rajwade	B. R. Shah
S. Padmanabhan	M. G. Bhide	R. Ravimohan
A. V. Rajwade	R. Ravimohan	Subodh K. Shah
M. G. Bhide	Subodh K. Shah	Hemant Y. Joshi
R. Ravimohan	Hemant Y. Joshi	
Subodh K. Shah		
Hemant Y. Joshi		

Compensation Committee	Management Committee	Audit Committee
B. V. Bhargava	R. Ravimohan	Dr. S. S. Baijal
Dr. S. A. Dave	Subodh K. Shah	Dr. S. A. Dave
Mr. B. R. Shah	Hemant Y. Joshi	Mr. B. R. Shah

Auditors	Solicitors	Company Secretary
S.B. Billimoria & Co.	Wadia Ghandy & Co.	Rajat Dutta

Bankers	Share Transfer Agents	Registered Office
ICICI Banking Corpn. Ltd. State Bank of India	Karvy Consultants Ltd. Karvy House, 21, Avenue-4, Street No.1, Banjara Hills, Hyderabad - 500 034.	Nirlon House, 2nd Floor, 254-B, Dr. Annie Besant Road, Worli, Mumbai 400 025.



## Directors' Report

To the Members,

Your Directors have pleasure in presenting the Twelfth Annual Report of the Company with the Audited Accounts for the financial year ended March 31, 1999.

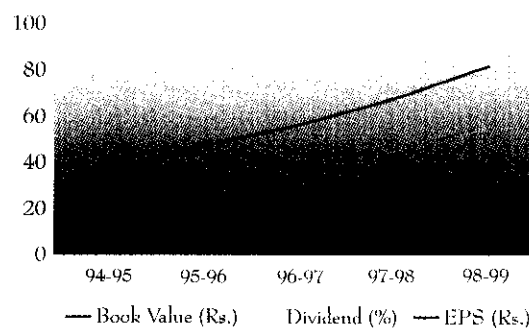
### Performance

A summary of your Company's financial performance is given below:

	Year ended March 31, 1999 Rs. lacs	Year ended March 31, 1998 Rs. lacs
Profit before depreciation and taxes was	2495.02	1956.15
Deducting therefrom depreciation of	411.45	411.31
Profit before tax was	2083.57	1544.84
Deducting therefrom taxes of	833.26	553.11
Profit after tax was	1250.31	991.73
The proposed appropriations are:		
Dividend	341.00	279.00
Corporate Dividend Tax	37.51	27.90
General Reserve	723.00	400.00
Balance carried forward	434.20	285.39

### Dividend

The Directors now recommend for approval of the shareholders at the Annual General Meeting to be held on July 27, 1999 payment of dividend of 55%



**CRISIL**

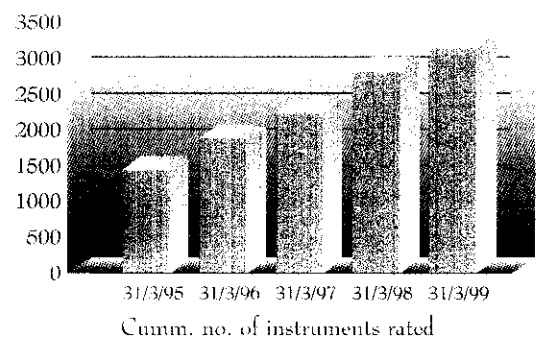
as against 45% (including a special tenth anniversary dividend of 10%) in the previous year.

### Review of Operations

The year under review was a challenging one for CRISIL's ratings business. Key sectors of the economy faced a significant deterioration in credit risk profile due to competitive pressures arising out of adverse demand-supply dynamics, increase in costs and competition from cheaper imports in the manufacturing sector. The financial sector was grappling with asset quality issues and investments in the infrastructure sector were constrained due to policy uncertainties and reduced government spending. Liquidity in the banking sector remained comfortable resulting in the banks not accessing Certificate of Deposits in a major way.

Although overall resources raised through the debt market did not decline significantly, the access to debt was restricted mainly to the larger issuers in highly rated categories. In addition, many issuers resorted to the unrated private placement route. Prospects for equity issuance continued to remain unfavourable. Given an already overleveraged capital structure in the case of most issuers, debt raising was constrained. Moreover, substitution driven debt issuance was also limited by a relatively stable interest rate scenario during the year under review. Under these circumstances, CRISIL assigned ratings to 327 new debt instruments as compared to 568 in the previous year.

Your Company has responded successfully to the challenging environment characterised by extremely high volatility on credit risk issues by reflecting the same in the outstanding portfolio of ratings and CRISIL ratings continue to enjoy the highest credibility among the investors. Further, your Company continued its focus on innovation and developmental work related to evolving new methodologies, fine tuning of criteria and introduction of new products. Pioneering work done



by CRISIL in the area of structured ratings in corporate, financial and infrastructure sectors was well received both among issuers and investors. Your Company succeeded in making deeper inroads in the private placement market by assigning confidential ratings and has also launched rating evaluation service targetted at companies involved in acquisitions, divestments and business and financial restructuring transactions and the response so far has been encouraging.

Given the increasing recognition of CRISIL ratings as the most credible benchmarks for credit risk assessment, your Company has considerably strengthened its interface with the investor community. CRISIL has set up a full fledged rating desk, which is able to respond to queries from investors in a prompt manner. In addition, your Company has also published detailed criteria documents during the year under review besides more frequent and structured interfacing with investors, which has further enhanced CRISIL's credibility and franchise.

### New Products

CRISIL continues its pioneering role in the development of the Indian debt market. Your Company's ability to forge ahead even in difficult market conditions is significantly attributable to its ability to launch innovative new products.

Your Company has several firsts to its credit this year, notable among which is the pioneering of rating of general insurance companies in India. CRISIL continues to play a proactive role in rating innovative credit enhanced structures. During the year, CRISIL developed and launched a framework for rating debt obligations of Indian corporates supported by credit enhancements based on overseas guarantees. These Foreign Structured Obligations ratings have been received with interest by companies and is expected to be a future growth area. CRISIL's pioneering efforts at rating of educational bonds has met with considerable interest from educational institutions. CRISIL also commenced rating of collective investment schemes during the year.

CRISIL's Centres of Excellence continue to develop methodologies for rating of debt instruments in a number of emerging sectors. Significant work has been undertaken by your Company in developing rating methodologies in sectors like the life insurance, pension funds and bond funds. These areas are likely to have significant business opportunities in future.

### Crisil Advisory Services (CAS)

Crisil Advisory Services (CAS) provides financial advisory assistance at the policy and transaction level in the areas of power, transport, financial sector, disinvestment and privatisation. Its client base includes Central & State Governments, multilateral lending agencies and banks, amongst others. In a short span of time, it has developed a reputation of providing a credible and valuable service to its clients. This has resulted in a large number of repeat assignments from its existing clients as also a growing client base.

In the year under review, Crisil Advisory Services completed some high profile assignments, developed capabilities and executed assignments in new areas, and is well positioned for handling the challenges in the coming years. Some of the important assignments successfully completed in the current year were, the selection of a developer for an LNG based power project at Ennore in Tamilnadu and the signing of the concession agreement for the first private sector port project in Gujarat. The process for selection of a developer for an integrated LNG based power project at Ennore in Tamilnadu was the first of its kind attempted anywhere in the world. CAS successfully completed this assignment by selecting the most competitive developer and in generating tariffs which are the lowest in the country. Your Company is now regarded as one of the few experts with hands on experience in LNG sector. The concession agreement for the first private sector port project in Gujarat was the culmination of the entire process of developing a BOOT policy, drawing of a model concession agreement and piloting the same through a negotiation process with the private sector developer. Both these assignments have significantly enriched the experience within the group and have provided CAS with a high degree of visibility amongst domestic and international audiences.

In the financial sector, CAS's attempts to raise the level of credit analysis met with success in the current year. A cross-section of clients including oil companies, state industrial investment corporations and banks have adopted CRISIL's Risk Assessment Model (RAM). The RAM has been developed by CRISIL as a user friendly software package which crystallises CRISIL's capabilities of risk analysis and segmentation and enables the user to improve the credit decision making within the organisation. We see a good potential in this product as it meets a crucial need of clients which includes banks and institutions and many large corporations dealing with credit risks.

In the transportation sector, CAS was active in both the port and road segments. In the area of ports, a number of assignments were undertaken and are in various stages of completion. The port group has positioned itself as a leading advisor in minor port privatisation and is currently engaged in port privatisation activities in the States of Tamilnadu, Andhra Pradesh and Gujarat. In the area of road privatisation, the group has been advising Maharashtra State Road Development Corporation (MSRDC) on a number of assignments.

The power group has continued to consolidate and strengthen its position as the preferred advisor to the State Electricity Boards (SEBs) and State Governments. On the central issue of estimating escrow capabilities of SEBs, CAS has emerged as the main advisor both for institutions and electricity boards and has been involved in assessing the escrow capabilities in the states of Maharashtra, Tamilnadu, Karnataka, Rajasthan and Madhya Pradesh. In the area of distribution reforms, CAS was advisor to BSES, which won the first transaction on privatising distribution circles in Orissa.

During the year under review, CAS successfully completed the development of an integrated infrastructure master plan for the Government of Gujarat. The document called Vision 2010 presents a shelf of projects for participation by the private sector and is an outcome of considerable work on integrating departmental projects so that development in the state happens in a co-ordinated fashion. This assignment is unique in its nature and we expect repeatability of this assignment across states.

Recognising the complex changes taking place in the Indian environment as it goes through process of reform and restructuring and also recognising that such experience resides with a number of agencies abroad, CAS has consciously attempted to cultivate linkages with them so as to learn from

their experience and participate jointly in assignments with them. Currently, CAS is positioned to undertake a number of assignments in the areas of urban infrastructure, airport privatisation and power sector reforms with leading international consultants.

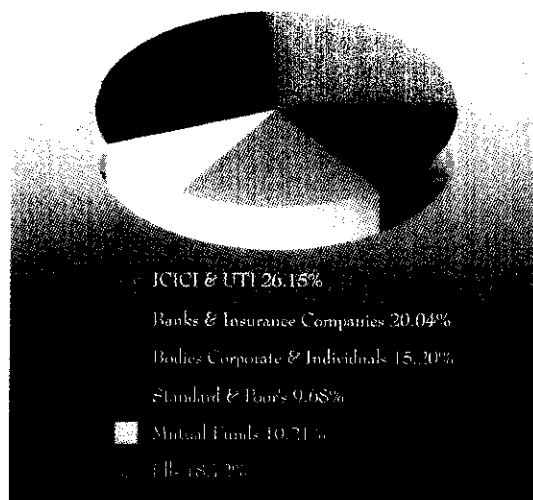
In summation, CAS is well positioned to undertake challenges in the coming year and is clearly focussed on developing capabilities and undertaking assignments in each of the areas covered viz. the financial sector, transport sector and power sector.

#### Crisil Research & Information Services (CRIS)

This division of CRISIL is focussed on providing value added research on Indian economy, capital markets, industry and company analysis as also undertaking specialised research in cross-functional areas with a view to gaining superior insights in the changing business environment. CRIS disseminates its research to a wide cross-section of domestic and international clients which include corporates, banks, consultancy organisations, educational institutions, multilateral agencies etc.

In the year under review, CRIS has consolidated its initiatives of the previous year, undertaken a number of new initiatives, enlarged its client base and positioned itself for significant growth in the coming years. CRISERVICE – an annual retainership service positioned to meet the total research requirements of our clients, saw near 100% renewals as also new additions. The research capabilities of the group were increased substantially to cover international companies and industries and the introduction of number of new products viz. CrisilCard500 – a financial database of 500 companies, Crisil DebtBase – a comprehensive database on the Indian debt markets, Crisil BondValuer – a valuation package for pricing non-traded debt securities, Crisil Debt View – outlook on the debt markets, Crisil EcoView – Crisil Outlook on the macroeconomic variables and Crisil GOI benchmark rates as a basis for benchmarking new debt issuances.

A significant development during the year was the launch of www.crisil.com, an e-commerce enabled web site of CRISIL. This site is positioned to comprehensively meet all business information needs on India. The site has been well received and one of the first gains has been a global reach for products & services of your Company. Efforts will continue to improve the power of this site to meet the desired objectives. The scope of CRIS's association with Standard & Poor's FIS was further enhanced through a tie-up with S&P MMS and



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S&P Platt's to market their products in India. Standard & Poor's MMS specialises in providing realtime online information on global currency, fixed income and equity markets. The service covers continuous interpretation of market moving events, expert analysis and forecasts of interest rate movements across the curve, technical analysis as well as strategy-generating trading ideas. Standard & Poor's Platt's specialises in providing realtime online information on global petroleum, petrochem, energy, bunker and tanker markets. This includes market reporting for the marine bunker fuels, oil and chemical tanker markets, worldwide comparisons for gasoil and fuel oil cargoes as well as bunker price assessments in Asia, Europe, Africa and the America. This association has enabled CRIS to widen its analytical product offering to the Indian corporate and financial sectors. In addition, CRIS provides S&P MMS analytical reports on daily currency & money market trends.

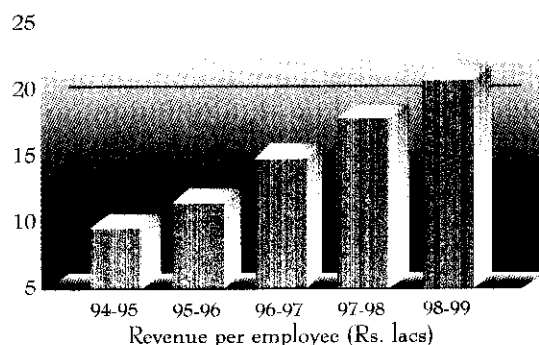
To sum up, the market need for reliable analysed data, risk assessment, investment evaluation, analytical support for strategic planning and for corporate restructuring will continue to offer strong prospects to CRIS in the coming year.

#### Relation with Standard & Poor's

The relationship that your Company has with Standard & Poor's continues to grow stronger with training of several professionals and execution of numerous bench marking exercises. This helped your Company's pursuit of higher analytical capability. With greater integration between the two organisations, your Company's analytical efforts for the domestic paradigm will be far sharper and contextual. Several other initiatives are underway with Standard & Poor's to offer important products and services that the liberalising Indian market place will require.

#### Personnel

The staff strength as on March 31, 1999 stood at 197 (including 147 professionals) as against 205 (including 143 professionals) as on March 31,



1998. CRISIL regularly sponsors professional staff for training in India and abroad. Higher investments in technology and focus on productivity has enabled your Company to achieve higher business levels and analytical capabilities without expanding personnel.

Information as per Section 217 (2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, is annexed and forms part of this report. The details of foreign exchange earnings and outgo appear at item nos. 4 and 5 in the Notes to Accounts.

#### Directors

Mr. M. G. Bhide who was appointed as an Additional Director, holds office upto the date of ensuing Annual General Meeting and is eligible for appointment. The Company has received notice under section 257 of the Companies Act, 1956 proposing the candidature of Mr. M. G. Bhide as a Director.

In accordance with the Articles of Association of the Company and the provisions of the Companies Act, 1956, Dr. S. A. Dave, Mr. S. Padmanabhan and Mr. B. R. Shah retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

#### Auditors

Messrs S. B. Billimoria and Co., Chartered Accountants, will retire as Auditors at the ensuing Annual General Meeting and are eligible for reappointment.

The Board of Directors wish to thank the staff of CRISIL for the exemplary dedication and excellence displayed in manning the operations of your Company. They also wish to place on record their sincere appreciation of the faith reposed in the professional integrity of the Company by the issuers and investors who patronised its services. They acknowledge the splendid support provided by the market intermediaries. The Board of Directors also wish to place on record their appreciation of the faith reposed in your Company by the Securities and Exchange Board of India, the Reserve Bank of India and the governments of India and various states.

On behalf of the Board of Directors

N. Vaghul  
Chairman

Mumbai, May 4, 1999

Note : Mr. N. Vaghul has since relinquished his office as a Director of the Company on May 6, 1999.

**CRISIL**

## Auditors' Report to the Members of The Credit Rating Information Services of India Limited

We have audited the attached Balance Sheet of THE CREDIT RATING INFORMATION SERVICES OF INDIA LIMITED as at March 31, 1999 and the Profit and Loss Account of the Company for the year ended on that date, annexed thereto, and report thereon as follows :

1. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order, to the extent applicable to the Company.
2. Further to our comments in the paragraph 1 above :
  - (a) we have 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 and the Profit and Loss Account dealt with by this report are in agreement with the books of account;
  - (d) in our opinion the Balance Sheet and the Profit and Loss Account dealt with by this report are in compliance with the accounting standards referred to in Section 211(3C) of the Companies Act, 1956;
  - (e) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view :
    - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 1999; and
    - (ii) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date.

For S.B. Billimoria & Co.  
Chartered Accountants

Sanjiv N. Shah  
Partner

Mumbai, May 4, 1999

Annexure to the Auditors' Report (Referred to in paragraph 1 of our report of even date)

1. The Company has maintained proper records showing full particulars, including quantitative details and location of fixed assets. The Management during the year has physically verified the fixed assets, other than leased assets, and no material discrepancies were noticed between the book records and the physical balances. In respect of leased assets, the Company has obtained certificates confirming installation.
2. The fixed assets have not been revalued during the year.
3. The Company has neither taken nor granted any secured or unsecured loans from or to companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956. We are informed that there are no companies under the same management as defined in Section 370(1B) of the Companies Act, 1956.
4. The parties to whom loans or advances in the nature of loans have been given by the Company are repaying the principal amounts wherever stipulated and are regular in paying interest where applicable.
5. The internal control procedures of the Company relating to the purchase of assets and invoicing of services are commensurate with the size of the Company and the nature of its business.
6. There were no transactions of services rendered in pursuance of contracts or arrangements entered in the Register maintained under Section 301 of the Companies Act, 1956.
7. The Company has not accepted any deposits from the public.
8. In our opinion, the internal audit functions carried out during the year by a firm of Chartered Accountants appointed by the Management were commensurate with the size of the Company and the nature of its business.
9. The Company has been regular in depositing Provident Fund and Employees' State Insurance Scheme dues with the appropriate authorities.
10. There were no undisputed amounts payable in respect of income-tax, wealth-tax, sales tax, customs duty and excise duty outstanding as at March 31, 1999 for a period of more than six months from the date they became payable.
11. According to the information and explanations given to us and the records of the Company examined by us, no personal expenses have been charged to the revenue account other than those payable under contractual obligations or in accordance with generally accepted business practice.
12. The Company does not have a system of allocation of man-hours utilised to relative jobs.

For S.B. Billimoria & Co.  
Chartered Accountants

Sanjiv N. Shah  
Partner

Mumbai, May 4, 1999