

Credit Analysis & REsearch Ltd.



**Nineteenth Annual Report
2011-2012**

Credit Analysis & REsearch Ltd.

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Directors

Shri O.V. Bundellu	<i>Chairman</i>
Dr. N.K. Sengupta	
Shri Venkatraman Srinivasan	
Ms. Bharti Prasad	
Shri D. R. Dogra	<i>Managing Director & CEO</i>
Shri Rajesh Mokashi	<i>Dy. Managing Director</i>

Rating Committee

Shri Y. H. Malegam	<i>Chairman</i>
Shri P. P. Pattanayak	
Shri V. Leeladhar	
Shri V. K. Chopra	
Shri D. R. Dogra	

Bankers

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

Statutory Auditors

M/s. Khimji Kunverji & Co.
Chartered Accountants

Internal Auditors

M/s. Khandelwal Jain & Co.
Chartered Accountants

Registered & Head Office

Godrej Coliseum, 4th Floor, Somaiya Hospital Road,
Off Eastern Express Highway Sion (East),
Mumbai – 400 022

Regional Offices

3rd Floor, Prasad Chambers,
(Shagun Mall Building), 10 A,
Shakespeare Sarani, Kolkata – 700 071

Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002

32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad – 380 015

9th Floor, Pride Kumar Senate, Plot No. 970,
Bhamburda Senapati Bapat Marg,
Shivaji Nagar, Pune – 411 016

304, Pashupati Akshat Heights,
Plot No. D-91, Madho Singh Road,
Bani Park, Jaipur - 302016

Audit Committee

Shri Venkatraman Srinivasan	<i>Chairman</i>
Dr. N.K. Sengupta	
Ms. Bharti Prasad	
Shri Rajesh Mokashi	

Investment Committee

Shri O.V. Bundellu	<i>Chairman</i>
Shri Venkatraman Srinivasan	
Shri D.R. Dogra	
Shri Rajesh Mokashi	

Remuneration Committee

Dr. N.K. Sengupta	<i>Chairman</i>
Shri Venkatraman Srinivasan	
Ms. Bharti Prasad	
Shri D. R. Dogra	

IPO Committee

Shri O.V. Bundellu	<i>Chairman</i>
Shri Venkatraman Srinivasan	
Shri D. R. Dogra	
Shri Rajesh Mokashi	
Shri Navin K. Jain	<i>(Member Secretary)</i>

3rd Floor, B – 47, Inner Circle, Near Plaza Cinema,
Connaught Place, New Delhi – 110 001

401, Ashoka Scintilla, 3-6-520, Himayat Nagar,
Hyderabad – 500 029

Unit No. 8, I Floor, Commander's Place, No. 6,
Raja Ram Mohan Roy Road, (Opp. P F Office),
Richmond Circle, Bangalore - 560 025

4th Floor, Champa Centre Point,
Chaandhane Magu, Male 20153
Maldives.

Corporate Events



(From left) Mr. D R Dogra, MD & CEO and Mr. O.V. Bundellu, Chairman of CARE Ratings at the acquisition of Kalypto Risk Technologies Private Limited (KRTL)



Mr. Rajesh Mokashi, DMD, CARE Ratings at the ADEA Award ceremony at Delhi



Ms. Shyamala Gopinathan, Ex Deputy Governor of RBI speaking at the CARE Ratings' seminar on Credit Default Swaps on August 05, 2011



Ms. Revati Kasture, Head Research - CARE Ratings honored with the CA Professional Achiever - Women award by ICAI in Bangalore



(From left) Mr. D R Dogra, MD & CEO, CARE Ratings, and Mr. Mehul Pandya, General Manager - CARE Ratings at the Round Table on the Importance of Rating for countries and companies in Africa held in Germany during March, 2012



Mr. D R Dogra, MD & CEO, CARE Ratings attending Real Estate Investment Forum and Business Spaces organized by Economic Times

Corporate Events



Mr. D R Dogra, MD & CEO, CARE Ratings, second from left, along with other CARE officials at a Seminar on Capital Markets in Maldives on July 24, 2011



Mr. D R Dogra, MD & CEO, CARE Ratings delivering his address at the ASSOCHAM 2nd Annual Summit on January 12, 2012



Mr. Rajesh Mokashi, DMD, CARE Ratings, as a part of the panel discussion organized at the CII CFO Summit 22 December, 2011



Mr. D R Dogra, MD & CEO, CARE Ratings, far left, Mr. Rajesh Mokashi, DMD, CARE Ratings, far right, addressing the audience at a seminar organized by CARE post budget 2012.



Mr. R. Suryanarayan, General Manager - CARE Ratings speaking on the occasion of the Centennial Celebrations of Central Bank of India at Hyderabad on December 16, 2011



Certificate of Excellence to CARE from India Inc

Directors' Report for FY 2012

Your directors have pleasure in presenting the Nineteenth Annual Report of your company along with the audited accounts for the year ending March 31, 2012.

Economic background

Following the financial crisis of 2008-09, the Indian economy had recovered to grow by 8.4% per annum in the subsequent two successive years. However, conditions turned adverse in FY12 with growth slowing down to 6.5% and industrial growth, in particular, to just 2.8%. Production was affected by a slowdown in investment, where the gross fixed capital formation rate declined from 32.5% in FY11 to 32.0% in FY12. While overall demand remained subdued with the government trying to get its reins on the deficit, high persistent inflation had the RBI taking an aggressive stance on interest rates. The repo rate was hiked by 175 bps during the year to combat inflation. All these conditions played a major role in driving the financial markets during the year which confronted the twin issues of tight liquidity conditions and increasing cost of funds.

Global economic conditions too were challenging with growth slipping to 3.9% in 2011 (5.3%) with the USA growing by 1.7% (3.2%) and Euro region by 1.4% (1.9%). Among the emerging markets China registered growth of 9.2% (10.4%) which was still lower than that of 2010. The Euro crisis response has been volatile with Greece, Ireland, Portugal, Spain and Italy raising indebtedness issues. The ECB, EFSF and IMF had worked hard to resolve the default crisis in Greece which finally has pledged to resort to austerity measures. Alongside, monetary policy has been liberal with the Fed maintaining its rate at 25 bps, while the ECB has lowered rates more recently to 75bps and Bank of England to 50 bps. Quantitative easing in the USA and LTRO (long term refinancing operations) in Euro enabled the flow of liquidity to provide a boost to Bank lending. However, given that austerity measures had to be pursued by the Euro nations under stress such as Greece, Portugal, Spain and Italy, there was a tendency for Banks to deleverage.

The Indian economy was affected by the global crisis in various ways. To begin with trade flows were impacted. Secondly, foreign investors looked positively towards the Asian markets sporadically though the perceived recovery in the USA did at times cause the flow of funds to reverse. This led to volatility in their flows in 2011. Third, the rupee became vulnerable to the dollar-euro relationship, and remains so even today with the possibility of a Greek default and problems in countries like Spain still making the rupee volatile. The rupee moved from Rs 44.37/\$ in March 2011 to a range of between Rs 45.28 to 52.67 during August to December before closing at Rs 50.32 in March 2012. FII inflows in particular were lower for the year at \$ 18.9 bn as against \$ 32.2 bn in FY11. The RBI has been active in the forex market to defend the rupee and has put in \$ 20.1 bn during FY12. Such sale of dollars did in turn put pressure on liquidity conditions in the market.

GDP growth was 6.5% for the year as against 8.4% last year. This was to be brought about by growth of 2.8% in agriculture and 2.5% in manufacturing. Growth has been under pressure with inflation reining high for most part of the year. It ranged between 9-10% up to December when it crossed the double digit mark. It started moderating subsequently to end at 6.9% in March 2012. The RBI had subsequently taken a decision to lower the repo rate for the first time in two years by 50 bps with the rider that the market was not to expect further rate cuts until inflationary conditions improved.

The government's budget was affected by lower than expected growth in GDP and hence lower revenue growth as well as higher expenditure. This impacted revenue collections as well as pressurized the deficit as the subsidy burden in particular increased on account of food, fuel and fertilizers. The disinvestment programme too was not realized and consequently the fiscal deficit increased from a targeted 4.6% to 5.9% for FY12 (revised subsequently to 5.8%). For FY13, it has been budgeted at 5.1%, which again would be contingent on several assumptions being met. Higher deficit meant higher borrowings which in turn strained liquidity in the system.

The monetary scene in the country was subdued. Bank deposits grew by 13.4% in FY12 as against 15.9% in FY11. Bank credit on the other hand grew by 17% (21.5%). Lower growth in deposits may be attributed to households spending more on account of inflation and saving less consequently. Bank credit on the other hand increased with the following sectors accounting for the same: beverages and tobacco, paper, petroleum, coal, chemicals, cement, vehicles, and gems and jewellery. There was a distinct slowdown in growth in case of credit to infrastructure and basic metals and metal products industries. The shortage in liquidity led to the RBI intervening positively through open market operations (OMOs). Net OMOs were Rs 1.34 lakh crore (Rs 0.67 lakh crore). Further, the average repo borrowings from the RBI were over Rs 1 lakh crore from December onwards. By March it averaged Rs 1.55 lakh crore. Towards the end of the year, the RBI had also lowered the CRR by 125 bps which released Rs 80,000 crore.

At the same time, government borrowing overshoot the initial estimate of Rs 4.17 lakh crore and the total borrowings were Rs 5.1 lakh crore. This put pressure on interest rates. The 10-year GSec yield moved within a range of a low of 8.13% in April to a high of 8.88% in October. In March it ended at 8.53%. The average base rate of banks had increased from 9.17% in April 2011 to 10.48% in March 2012.

The performance of your company should hence be viewed against this background of extremely challenging economic and financial conditions

Change in accounting policy:

During the year, the Company changed its revenue recognition policy for surveillance fees. Uptill now the Company was recognising surveillance fees in full in the year in which they became due. However, in the current year the management has estimated a portion of surveillance fees to be recognised as income, commensurate with the efforts involved on the date the surveillance activity is completed. The balance surveillance fee is recorded equally over the 12 months surveillance period which commences 1 year after the date of assigning a rating.

Financial Performance

The financial results of the Company for the year ended March 31, 2012 are presented below:

Particulars	(Rs. Lakh)	
	For the year ended March 31, 2012	For the year ended March 31, 2011
Income from Operations	178,08	170,87
Other Income	28,21	5,76
Total Income	206,29	176,63
Total Expenditure	56,78	42,62
+ / (-) Prior period adjustments	-	9
Profit before Tax (PBT)	149,51	134,10
Provision for Tax	41,97	43,15
Profit after Tax (PAT)	107,54	90,95
Appropriations		
Interim Dividend	28,55	-
Tax on Interim Dividend	4,63	-
Final Dividend	-	6,19
Tax on final dividend	-	1,00
Transferred to General Reserve	12,00	20,00
Balance carried forward	62,36	63,76

Total income increased by 16.79% with income from operations increasing by 4.21%. This may be attributed to both increase in rating assignments from new companies as well as from existing clients offset by impact due to change in accounting policy. Total expenditure increased by 33.22% mainly due to an increase in the wage bill which was on account of an increase in staff count from 303 as on March 31, 2011 to 500 on March 31, 2012. Profit before tax increased by 11.50% in FY12 and with tax provisions reducing by 2.73%, profit after tax increased by 18.24%.

During the year the Company has changed its revenue recognition policy for surveillance fees. Had the Company continued with its earlier policy, Rating Income including Surveillance Fees for the year would have been higher by Rs. 19.79 crore resulting in an increase of 15.80% in income from operations in FY12 over FY11. Profit after tax and revenue reserves would have been higher by Rs. 13.37 crore (i.e. an increase of 32.94% in FY12 over FY11).

Issue of Bonus shares

CARE, in September, 2011 allotted bonus shares in the ratio of 2:1, i.e. two shares for every one share held and issued 1,90,35,208 new shares. The paid up capital of the Company went up to Rs. 28,55,28,120 from Rs. 9,51,76,040.

Dividend

An interim dividend @Rs. 10/- per share was declared and paid in March 2012. No final dividend is recommended for FY 2011-12.

Business operations

While overall economic conditions were challenging, your company was aggressive in terms of both lengthening the customer base and deepening the relationships with existing clients. This effort is evidenced in the following achievements. Your company has now completed over 15,000 rating assignments since inception to reach 15,824 as of March 2012. The total amount of debt rated has increased to Rs. 40.46 lakh crore as of March 2012 from Rs. 31.19 lakh crore as on March 2011. As of March 2012, we had business relationships with 3,900 clients (2,094 in March 2011). The relentless thrust on expanding the client base will set the foundations for further leveraging in future.

Instrument	Number of assignments completed		Volume of debt rated (Rs crore)	
	FY12	FY11	FY12	FY11
Short term	109	123	52,522	88,801
Medium term	-	4	-	1,242
Long term	307	238	195,518	196,973
Bank facility rating	4,883	1,654	678,821	519,862
Others	681	168	-	-
Total	5,980	2,187	926,860	806,878

Two facets stand out in the table above. The first is that the total number of assignments completed more than doubled, increasing by 173% in FY12 and the other is that there was an increase in the total volume of debt rated by 15%.

In terms of the number of assignments completed, there was an increase in the number of long term rating by 29% and bank loan ratings by 195% indicating higher penetration levels in these areas. However, there was a decline in short-term rating assignments by 13%. The miscellaneous category (including gradings) witnessed an increase of 305% which was mainly due to the NSIC - MSME ratings.

Total volume of debt rated however had increased for bank facility but declined in case of both short term (- 41%) and long term (marginally by - 0.7%) which were reflective of the slowdown in overall investment in the economy.

CARE's business during the year

Your company continued to focus on widening the client base across both the large and SME segments to provide services for borrowers. Further, the existing relations with clients have been deepened with our business teams working on cross selling products. While conventional rating of debt has been accepted, the use of other products such as grading has yet to catch on and hence efforts have been made to educate corporates on their use. Some of the more noteworthy products that have caught interest are Edu grade and Real estate star ratings besides equi grade.

We have particularly witnessed significant interest being shown in equi grade which deals with equity research. These products, it is believed will contribute progressively more to the revenue base of the Company in the years to come.

Overseas operations

Your company also commenced operations in the Republic of Maldives and completed two rating assignments there. We have established our office in Male which is fully operational and we are working closely with the authorities and do hope to grow the business along with the market in course of time. More importantly we see this venture as an enterprise which can be leveraged going ahead in our global forays to be made.

Acquisition of majority stake in Kalypto Risk Technologies Private Limited

Kalypto Risk Technologies Private Limited (KRTL), a company providing risk management software solutions with a focus on banking and financial services domain addressing the areas of enterprise risk management. KRTL is engaged in developing specialized risk management solutions addressing the area of credit and operation risk for financial institutions and banks. The credit risk product serves as a foundation to meet evolving regulatory risk requirements in the backdrop of Basel II recommendations and for integrating the bank's entire credit risk information. The operational risk product facilitates Banks in assessing, identifying, measuring, monitoring, controlling and reporting of losses resulting from inadequate or failed internal processes, people or systems. Your company has acquired 75.13% stake in KRTL at an investment of Rs 893.68 lakhs. This acquisition will result in diversification of revenue streams by enhancing product offerings and building up alternative revenue streams for the organization.

Knowledge strength-CARE Research Division

Our business is concentrated on leveraging our research capabilities when doing a rating exercise. The independent CARE Research Division has now widened its canvas to cover 39 sectors, which are up from 28 in FY 11. These research reports, which are available on a subscription basis, have found progressively more acceptance in the market. We are working towards enhancing the coverage so that customers, especially those from institutions, are able to procure latest cutting edge research on the entire spectrum of sectors.

Economics

The Economics Division continues to provide real time economic analysis through reports that are released almost immediately after economic announcements are made. These reports are circulated widely to clients, banks, mutual funds, government officials and the media. The purpose is to both showcase CARE Ratings brand as well as disseminate your company's viewpoint on all issues relating to both the global and domestic economy.

As part of building our visibility we have started printing and circulating our major reports to several opinion makers and the response has been encouraging. This is over and above the wide circulation through e-mail to clients, banks, mutual funds, investors, media, government officials etc.

Rating Committee

Your company is committed to maintaining high standards of professional quality and integrity. In line with this, we have an internal rating committee comprising senior executives of our Company and an external rating committee, comprising a majority of independent members. Each rating report is considered by our internal rating committee or our external rating committee, if not both. Ratings decided by our internal rating committee are reported to the external rating committee. Our rating committees are assisted in the evaluation by a team of professional analysts with relevant industry knowledge. The external rating committee members are Shri Y. H. Malegam (Chairman), Shri P. P. Pattanayak, Shri V. Leeladhar, Shri V.K. Chopra and Shri D.R. Dogra.

Working with the Government of India

Your company had collaborated with the Department of Economic Affairs, Ministry of Finance, to bring out a dossier on the Indian Economy. The dossier was comprehensive and covered all aspects of the economy highlighting the strengths in detail.

Brand CARE Ratings

We have been continuously espousing our brand in various conferences and events as well as media. We had organized two major events during the year. The first was a seminar on Credit Default Swaps in Mumbai and the other a debate on the Union Budget 2012-13 in New Delhi. (The former was graced by Smt S. Gopinath (Ex Deputy Governor, RBI) and Smt. Shilpa Kumar (Chairperson FIMMDA). For the latter, the main speakers were Shri T K Arun (Opinions Editor: The Economic Times) and Shri Sunil Jain (Opinions Editor: Financial Express). Our DMD, Shri Rajesh Mokashi was the third speaker on both the occasions while our MD & CEO, Shri D R Dogra, made the inauguration and welcome addresses.

Besides, we were active in terms of participation as sponsors in various events such as CII Finance and Investment Summit 2012, CNBC CFO Awards 2012, ASSOCHAM 2nd Annual Summit on Financial Markets, The CFO Summit 2011 and the ET REIFBS 2011 (Economic Times Real Estate Investment Forum and Business Spaces Conference).

Your company's top management has participated actively in global events such as the WG Round Table on- The Importance of Rating for Countries and Companies in Africa, at Theodor-Heuss-Academy, Gummersbach (Cologne), Germany, where a presentation on 'Rating of Companies in Africa: Specific Challenges' was made by our MD & CEO, Shri D. R. Dogra and Shri Mehul Pandya, General Manager. Shri D. R. Dogra was also appointed Director on the Board of Directors of Association of Credit Rating Agencies in Asia (ACCRA) on January 20, 2012.

CARE's participation was also visible in FICCI's seminar involving business meeting with the Prime Minister of Mauritius, RBI's Second International Research Conference, Kotak Institutional Equities 'Global Investor Conference', Meeting of FICCI – Maharashtra State Council, International Conference on 'Growth with stability in affordable Housing Markets', India Investment Conference – Positioning Portfolio for Turbulent Times, Global Steel Conference 2012, International Conference on Accounting, Finance and Taxation, ASSOCHAM, 2nd Annual Summit on Financial Markets.

Human Resources

Human resources are the most critical asset for a company as plans can be executed thoroughly only in case we have the right people. Your organization realizes the importance of developing and maintaining a highly skilled and motivated staff. The focus has been on recruiting the best talent from top management institutes. However, for specialized functions at higher levels, lateral recruitment has been done from some of the best companies so as to match experience and superior skills with different roles.

As of March 31, 2012 we had 500 employees spread across the country which is a substantial increase from 303 as on March 31, 2011. This has been necessitated from the demands of business development and ratings which has widened, as we have been reaching out to potential customers across the country with special focus on the MSME segment. Out of these, 337 are management graduates, out of which 87 are having engineering background. Further, there are 88 Chartered Accountants and 11 Post Graduates in specialized fields like Economics, Commerce etc. The remaining 64 have other varied qualifications according to the required roles.

We also do recognize the importance of training our staff so that they are equipped with better skill sets for both professional and personal development. Apart from a rigorous induction programme for all fresh recruits, we had sent 54 colleagues for attending 28 external training programmes across the country. This serves us dual purpose of skills enhancement as well as employee retention strategies.

IT Upgradation

The Ci3 application has been made fully operational during the year. It helps in better MIS reporting and control. It is an end-to-end solution for all information relating to rating activity which enables ease in generating reports, monitoring activity as well as used for planning.

The web site of any company is a useful marketing tool. Your company's web site has been changed to present a different look and offers easier maneuverability to visitors. A lot of data and reports are available on the website. As this is an evolving process, we are still in the process of making changes in the web site to be more effective not just from the point of view of information but also marketing.

Directors

Pursuant to the provisions of Section 256 of the Companies Act, 1956 and Articles of Association of the Company, Shri O.V Bundellu retires by rotation and being eligible offers himself for reappointment.

The following are the Standing Committees of the Board

Audit Committee

The Committee met four times in FY 12. The Committee comprises of Shri S.Venkataraman, Dr. N.K.Sengupta, Ms Bharti Prasad and Shri Rajesh Mokashi.

Investment Committee

The Investment Committee comprises Shri O.V. Bundellu, Shri S.Venkataraman, Shri D. R. Dogra and Shri Rajesh Mokashi. It met four times in FY12. The Committee decided on various investment options for the company's funds to derive the maximum return while optimizing the risk level.

Remuneration Committee

The Remuneration Committee comprises Dr. N.K.Sengupta, Shri S.Venkataraman, Ms Bharti Prasad and Shri D.R. Dogra.

IPO Committee

The IPO Committee comprises Shri O.V. Bundellu, Shri S.Venkataraman, Shri D.R. Dogra, Shri Rajesh Mokashi and Shri Navin K. Jain. It met two times in FY12.

Directors Responsibility Statement

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956 with respect to Directors Responsibility statement, it is hereby confirmed.

- I. that in the preparation of the annual accounts for the financial year ended March 31, 2012, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- II. that the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give true and fair view of the state of affairs of the Company at the end of the financial year and of the profit and loss of the Company for the year under review;
- III. that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- IV. that the Directors have prepared the accounts for the financial year ended March 31, 2012 on a 'going concern' basis.

Auditors

As the shareholding of Corporations owned or controlled by the Central Government in CARE exceeds 51% the company is covered under provisions of section 619B of the Companies Act, 1956. The statutory Auditors for FY12 were appointed by the Comptroller and Auditor General of India (CAG).

Employees Salary

As required in terms of section 217(2A) of the Companies Act, 1956, read with the rules framed there under a statement of employees drawing a salary of Rs Sixty Lakhs if employed throughout the year or Rs Five Lakhs per month if employed for part of the year is attached to this report.

Conflict of interest

There is a clear policy to segregate staff on the basis of business and ratings to ensure that there is no conflict of interest. Besides, there is a strict code of conduct which clearly ensures that the rating analyst does not have any interest in terms of equity or otherwise in the company being rated by him/her. Individual declarations have been taken from all employees in this regard. This we believe is necessary for providing unbiased ratings which in turn enhances the credibility of the organization.

Acknowledgements

The Board places on record its appreciation of the contribution of its employees to the company's operations and the trust reposed in it by market intermediaries, issuers and investors. The Board also appreciates the support provided by the Reserve Bank of India, Securities Exchange Board of India, Comptroller and Auditor General of India and the Company's Bankers, IDBI Bank, State Bank of India and HDFC Bank.

On behalf of the Board of Directors

O.V. Bundellu

Chairman

Place : Mumbai

Date : July 17, 2012

Management Discussion Analysis

CARE's approach to business

The changes taking place in the financial environment have been very significant over the last few years. The markets are more complex and the alternatives for borrowers have gotten enhanced with the global frontiers now being more accessible. The regulatory structures have been altered keeping in line with the best practices that have been pursued. At the same time, against the background of the sovereign debt crisis in Euro region, there is serious talk of having more global rating agencies in the arena, which in turn, opens the doors for hitherto domestic rating agencies making global forays. This has meant that the approach for a rating agency has to be fine-tuned keeping in mind these developments taking place.

The business of rating has come under pressure in the last year on two counts, the genesis of which was sown in FY11 itself. The first is that the credit market has been under pressure due to extraneous conditions. High inflation has caused the RBI to increase interest rates by 350 basis points between April 2010 and March 2012. This has pushed up the cost of borrowing significantly thus adding to the strain on corporate profitability. Further, high interest rates have also come in the way of fresh investment which has been exacerbated by the fact that the government too has cut back on its expenditure in an effort to control the fiscal deficit. This has impacted the investment environment in the country. With investment being low, the debt and bank credit markets were also under pressure as the demand for funds was linked to its deployment.

The RBI has simultaneously come out with its own guidelines relating to Internal Risk Based (IRB) approach for Bank loan ratings. The Basel II framework provides two broad methodologies to Banks to calculate capital requirements for credit risk, namely, Standardised Approach (SA) and Internal Rating Based (IRB) Approach. The IRB Approach allows Banks, subject to the approval of RBI, to use their own internal estimates for some or all of the credit risk components [Probability of Default (PD), Loss Given Default (LGD), Exposure at Default (EAD) and Effective Maturity (M)] in determining the capital requirement for a given credit exposure. This guideline is meant for the Banks which are willing and allowed by the RBI to adopt more sophisticated IRB approach. RBI will now allow Banks to adopt IRB approach if, inter alia, Banks meet the requisite requirements and obtain RBI's approval for the same.

The IRB approach would get implemented over a period of time and may have an impact on the Bank loan rating business. However, as Indian bond markets develop further the rating business will benefit.

The economic environment during FY12 was adverse. Debt market activity had reduced and the policy of increasing interest rates took its toll on overall borrowing. With the economy slowing down substantially, high inflation and interest rates decelerated the pace of investment. All this put pressure on the levels of financial activity in the debt market. Notwithstanding this environment your company was able to post growth in business. There was an increase in the number of assignments completed from 2,187 in FY11 to 5,980 in FY12.

The approach of your company has been based on the following dual principles: 'depth in breadth' and 'length in spread.' The first has meant deepening the existing reach of our bouquet of products which also involves customizing new options for the market. The latter involves looking beyond rating and grading products and diversifying the income stream into new areas thus widening the sphere of activity beyond the present bouquet to de-risk the portfolio. We have made fairly significant strides in both these respects.

Depth in breadth: Core business

Your company provides a comprehensive array of rating products to customers and has over 19 years of experience in the rating of debt instruments and related obligations covering wide range of sectors such as manufacturing, services, banks and infrastructure. Ratings are done for most kinds of short, medium and long term debt instruments such as commercial paper, bonds, debentures, preference shares and structured debt instruments, bank loans and facilities, both fund based and non-fund based, and deposit obligations such as inter-corporate deposits, fixed deposits and certificates of deposits. Further, there are also issuer ratings and corporate governance ratings which are becoming popular.

Our focus has been on rating of debt instruments and bank loan facilities which provide higher volumes than other products. The significant coverage of Indian banks and financial institutions provides us an edge in this regard. The effort has been on increasing the client base. This is done through the provision of high quality service and improvement in our brand visibility and penetration through wider marketing initiatives. We have added 2037 new clients during FY12.

We have also been working continuously to expand our income stream generating business such as MSME rating, which we believe have large untapped potential. Given that the government too has come out with a policy for enhancing the role of MSMEs with enhanced benefits of credit rating being part of the package, we do see an opportunity to be leveraged.

Your company has also leveraged its strength and position in the specialized grading services during the year. The services offered include IPO grading, equity grading and those of various enterprises such as shipyards, maritime training institutes, construction companies and real estate projects among others. We have attained the leadership position in the rating of IPO grading in the country since the product was introduced. During the year, we have paid special attention to specific products. These include Edu-grade, an assessment of the effectiveness of inputs and processes provided by an educational institution in achieving the objectives of the course; Equi-grade, equity research involving the assessment of the fundamental quality of the company and the valuation of its equity shares; and Project Star Rating, which is an assessment of the ability of the developer to construct the real estate project with the agreed quality standards.

Our product EQUIGRADE (equity grading) aims to grade a listed company on two critical aspects viz. fundamentals & valuations. The fundamental assessment evaluates the company with respect to its business, financial position, management, industry outlook & corporate governance. These independent research reports focusing on company's fundamentals and intrinsic valuation lend significant credibility to a company's intrinsic valuation apart from enhancing the visibility of the scrip and providing an unbiased and transparent assessment to the investing community.

Although, the product is not mandatory, the concept of independent equity research and grading is now getting accepted amongst both corporate and investor community. In FY12, we executed 14 EQUIGRADE mandates. Your company is also engaged in preparing reports for Bombay Stock Exchange for the companies listed on it. This is to increase the awareness about the company and its fundamentals so as that investors can take better informed decisions.

Forging ties

Your company has also been looking for tie-ups with various organizations to forge strong business links. CARE Ratings has signed Memorandum of Understanding (MoU) with several banks to rate their MSME borrowers. They are Bank of India, Bank of Baroda, Central Bank of India, IDBI Bank, Punjab National Bank, State Bank of Travancore and Vijaya Bank. Further, a MoU with ArthVeda Fund Management Pvt. Ltd. (ArthVeda) will enable us to rate some of the real estate projects that the ArthVeda Fund Management invests in the Tier II/III cities across India.

Awareness

One route that has to be relentlessly pursued is spreading awareness about the concept of rating and how CARE Ratings fits in with the requirements of industry. These programmes have been held jointly with various organizations. We have done awareness programmes with Corporation Bank in Pune, Chandigarh and Chennai, Bank of Baroda in Pune, with NSIC, SBI and Naroda Industries Association in Ahmedabad, Syndicate Bank in Bangalore, and Canara Bank in Pune. Besides these programmes, custom made seminars have been carried out for the SME segment in Kolkatta, Mumbai, Chennai, Pune, Delhi, Baroda, Patna, Muzaffarpur, Bhopal, Chandigarh, Ahmedabad and Bangalore.

Length in spread:

Exploring new frontiers

We are aware that the environment around us is changing and that the frontiers of business have to be extended beyond the present perimeter. As part of our global foray to explore growth opportunities we have set up an office in the Republic of Maldives after getting the necessary approvals. During the year, we have completed two rating assignments which more than being symbolic does establish your company now as a global player. We have also conducted training programmes and seminars here to spread awareness and had also an opportunity to make a presentation on a new approach to sovereign ratings on the sidelines of the SAARC Summit held there in November 2011.

We are also working towards establishing such enterprises in other countries too and have had dedicated teams working on these alternatives. In this context we have looked at collaborating with agencies across the globe as part of the first stage to make a deeper impact in future. We are in discussions with a Nepal based group to form a Joint Venture for setting up a Credit Rating Agency, with majority stake from CARE Ratings.

To look closer at the continent of Africa, as part of an overall strategy we have signed an MoU with 'Riskmap Consulting Limited' a global business consulting company with focus on risk management practice especially in Africa and Nigeria, for exploring areas of future association including promotion and management of a credit rating company.

Further, to open the doors for making inroads into Latin America, we have entered into an agreement with Summa ratings S.A., Ecuador to provide technical assistance for starting a Credit Rating Agency in Ecuador. Summa Ratings has obtained Company's Superintendence Certificate that allows them to give ratings to the companies in Ecuador. Rating services were launched in May 2012. All this we believe will enable us to build the foundations for an effective global foray.

Also your company has received indirect recognition as an external credit assessment institution (ECAI) for the purpose of the regulatory capital framework in Hong Kong from the Hong Kong Monetary Authority (HKMA). From January 2012, authorized institutions incorporated in Hong Kong will be permitted to use the assessment ratings of our company for determining the capital requirement for credit exposures to corporates incorporated in India under the Standardized (Credit Risk) Approach and interest rate exposures under the Standardized (Market Risk) Approach of the Banking (Capital) Rules.

Leveraging synergies

Your company has also engaged in an acquisition to add value to the line of business. It did not hitherto have a presence in the risk model domain and sought to fill this gap in its product offering through this acquisition. We have acquired 75.13% stake in Kalypto Risk Technologies Private Limited (KRTL), a company providing risk management software solutions with a focus on banking and financial services domain addressing the areas of enterprise risk management. KRTL is engaged in developing specialized risk management solutions addressing the area of credit and operation risk for financial institutions and banks. The credit risk product serves as a foundation to meet evolving regulatory risk requirements in the backdrop of Basel II recommendations and for integrating the bank's entire credit risk information. The operational risk product facilitates banks in assessing, identifying, measuring, monitoring, controlling and reporting of losses resulting from inadequate or failed internal processes, people or systems. This acquisition will result in diversification of revenue streams by enhancing product offerings and building up alternative revenue streams for the organization.

We would continue to look out for such meaningful acquisitions which are synchronous with our overall business strategies in related areas that will complement our existing business operations and leverage existing strengths.

Knowledge based company

Your company is known for being a knowledge based company and has continued to work towards deepening our base. Research in the company is divided into industry research and economic research, both of which work their way into strengthening the quality of our appraisal systems as well embellish our ratings rationales.

The industry research team provided support to the ratings team in the form of in-depth industry knowledge over a range of sectors. The team has varied experiences across sectors. The product menu has been enhanced from 28 as of March 2011 to 39 sectors as of March 2012. Further, the independent research team also provides risk evaluation reports covering 88 sectors, which is made available on subscription basis. Given the credibility of research emanating from this division, the team also provides customized research covering key areas such as market sizing, demand estimates, demand-supply gap analysis, product segmentation, business analysis etc. upon request from clients.

Economic research has provided strong macro foundations to the thought process in the company and the near real-time analysis of global and domestic economic developments through reports has also helped in establishing the brand of the company in the market. These reports are circulated widely to clients, government and media. Print versions are also made available which are otherwise circulated to several thought leaders across the country.

We have also tied up with Knowledge Academy, Ahmedabad, which is a part of the Lalbhai Group to conduct a co-branded certification programme in credit risk assessment. This programme has been designed for finance professionals that will provide them with a cutting edge advantage in their respective jobs. Besides designing the course content, our experienced staff would also be taking lectures where we will be focusing on both the concepts as well as practical applications. This we hope will help in disseminating knowledge on credit risk assessment, which is our forte. Needless to say we are also exploring such tie-ups with other reputed education institutes for such ventures.

First in ISO certification

Your company is the first rating agency in India to receive the ISO 9001:2008 certification for its operations in the head office in Mumbai for the credit rating of debt instruments/facilities and Data Processing Centre at the CARE Knowledge Centre in Ahmedabad. ISO 9001 is a quality management standard that presents guidelines intended to increase business efficiency and customer satisfaction. It is a standard set by the International Organization for Standardization which sets-up a process oriented approach to maintain consistency and thereby improve efficiency. These standards guide organizations to plan, do, check and act to improve the processes and thereby smoothen their operations. The rapid pace of our company's growth makes it necessary for rudimentary processes and procedures to be streamlined in order for the company to efficiently perform; it ensures that the company operates within a systematic set of rules which would enable it to run smoothly and in compliance with regulatory requirements.

Media and branding

Your company continues to be in the forefront in terms of being a well known brand. We continued to sponsor prestigious events and our top management participated in several events as speakers. The widespread distribution of our research reports and sectoral reports has proliferated recognition. Regular interaction of your Managing Director and CEO and Deputy Managing Director with the media has ensured that views are heard across the spectrum.

IPO

Last year, in September we had filed a DRHP (draft red herring prospectus) with the market regulator; SEBI for an initial public offering (IPO). The idea of such an issue is to unlock value for the company which in turn will also provide an opportunity to investors to be a part of the rating business.

Prospects

The business environment for FY13 looks challenging to begin with. The cloud that has been cast on the economic performance for FY12 has not withdrawn so far, and with policy approach still tending towards caution, pick up in industrial activity would be gradual at best. Liquidity will remain under pressure on account of two factors: government borrowing and rupee volatility. While interest rates may be expected to move downwards towards the second half of the year provided inflation comes under control, this may not hasten investment activity. Capital market activity will be in flux given that foreign investors would be reconsidering their options given the euro crisis as well as their own perception on the future state of the economy. Under these conditions it is expected that the debt market will be subdued for another year. Our challenge will be to nurture the other options and create a strong foundation that will build a sustainable edifice that will provide direction and pace to business growth.

Auditors' Report

The Members of Credit Analysis & REsearch Limited

- 1 We have audited the attached Balance Sheet of **CREDIT ANALYSIS AND RESEARCH LIMITED** (hereinafter referred to as 'the Company') as at March 31, 2012, the Profit and Loss account and Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2 We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- 3 As required by the Companies (Auditor's Report) Order, 2003 (as amended) (hereinafter referred to as 'the Order') issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956, (hereinafter referred to as 'the Act') we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- 4 Further to our comments above, we report that :
- i. 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;
 - ii. In our opinion, the Company has kept proper books of account as required by law so far as appears from our examination of those books;
 - iii. The Balance Sheet, Statement of Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - iv. In our opinion, the Balance Sheet, Statement of Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in Section 211 (3C) of the Act;
 - v. On the basis of the written representations received from the directors as on March 31, 2012 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2012 from being appointed as a director in terms of Section 274 (1)(g);
 - vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with Significant Accounting Policies and Notes on Accounts in Note 'I' and those appearing elsewhere in the accounts give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2012.
 - b) in the case of the Statement Profit and Loss account, of the profit for the year ended on that date.
 - c) in the case of Cash Flow statement, of the cash flows of the Company for the year ended on that date.
- 5 The financial statements of the Company for the year ended March 31, 2011, were audited by another auditor whose report dated July 15, 2011 expressed an unmodified opinion on those statements

For and on behalf of

KHIMJI KUNVERJI & CO

Chartered Accountants

Firm Registration No. 105146W

GAUTAMV SHAH

Partner (F – 117348)

Mumbai

Date: July 17, 2012

Annexure referred to in paragraph 3 of our report of even date

Re-Credit Analysis & REsearch Limited

- i) a) The Company has maintained records showing particulars, including quantitative details and situation of fixed assets.
- b) As explained, these fixed assets have been physically verified by the management at reasonable intervals. As informed, no material discrepancies were noticed on such verification.
- c) During the year, the Company has not disposed off substantial part of its fixed assets.
- ii) a) The Company does not have inventory, therefore provisions of clause 4(ii) of the Order are not applicable to the Company.
- iii) a) As informed, the Company has neither granted nor taken any loans, secured or unsecured, to/from companies, firm or other parties covered in the register maintained under section 301 of the Act and hence clauses 4(iii) (b) to (g) of the Order does not apply
- iv) In our opinion and according to the information and explanations given, there exists an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to the sale of services. Further, on the basis of examination and explanations given, as per the checking carried out in accordance with the auditing standards generally accepted in India, neither we have observed nor we have been reported for any continuing failure to correct major weaknesses in the Internal control system relating to the aforesaid
- v) a) Based on the audit procedures applied and according to the information and explanations provided by the management, the Company has not entered into any transaction that need to be entered in the register in pursuance of section 301 of the Act and accordingly the clause 4(v)(b) of the Order is not applicable
- vi) In our opinion and according to the information and explanations given, the Company has not accepted deposits from the public in terms of the provisions of Section 58A and 58AA of the Act. We are informed that the Company Law Board or National Company Law Tribunal or the Reserve Bank of India or any Court or any other Tribunal has passed no order
- vii) The internal audit system is commensurate with the size and nature of Company's business
- viii) To the best of our knowledge and as explained, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Act for the products of the Company.
- ix) a) The Company is generally regular in depositing with the appropriate authorities undisputed statutory dues including Provident Fund, Employees' State Insurance, Income-tax, Wealth Tax, Service Tax and any other material statutory dues applicable to it.

According to the information and explanation given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-tax, Wealth Tax, Service Tax and other undisputed statutory dues outstanding at the year end, for a period of more than six months from the date they became payable.

As informed the Company is not liable to pay Sales-tax, Custom Duty, Investor Education and Protection Fund, Excise Duty and Cess.

- b) According to the information and explanations given, there are no dues in respect of Income Tax / Wealth Tax/ Service Tax that have not been deposited with the appropriate authorities on account of any dispute except the following:

Name of the statute	Nature of the dues	Amount (Rs)	Period to which the amount relates	Forum where dispute is pending
The Income Tax Act, 1961	TDS	3,018,490	AY 2006 – 07	Commissioner of Income–Tax (Appeals)–XIV, Mumbai
The Income Tax Act, 1961	TDS	6,134,040	AY 2007–08	–do–
The Income Tax Act, 1961	TDS	3,425,850	AY 2009–10	–do–
The Income Tax Act, 1961	TDS	8,954,906	AY 2011–12	–do–
The Income Tax Act, 1961	Income Tax	253,252	AY 2007-08	Commissioner of Income–Tax (Appeals)–XII, Mumbai
The Income Tax Act, 1961	Income Tax	4,792,500	AY 2009-10	–do–

As informed the Company is not liable to pay Sales-tax, Custom Duty, Excise Duty and Cess.

- x) The Company does not have any accumulated losses as at March 31, 2012 and has not incurred any cash losses during the financial year and during the immediately preceding financial year.
- xi) There are no loans taken from financial institutions and banks nor has the Company issued any debentures, hence clause 4(xi) of the Order is not applicable.
- xii) According to the information and explanations given, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) In our opinion and based on the documents and records produced, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiv) According to the information and explanations given, the Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, the provision of clause 4(xiv) of the Order is not applicable to the Company.
- xv) In our opinion and according to the information and explanations given, the Company has not given any guarantees for loans taken by others from banks or financial institutions.
- xvi) According to the information and explanations given, the Company has not raised any term loans. Accordingly the provisions of clause 4(xvi) of the Order is not applicable to the Company.
- xvii) According to the information and explanations given and on an overall examination of the balance sheet of the Company, we report that no funds raised on short–term basis have been used for long–term investment.
- xviii) The Company has not made preferential allotment of shares during the year to parties and companies covered in the register maintained under Section 301 of the Act.
- xix) According to the information and explanations given, the Company has not issued any debentures. Therefore, the provision of clause 4(xix) of the Order is not applicable.
- xx) The Company has not raised any money through a public issue during the year.
- xxi) During the course of our examination of the books and records of the Company, carried out in accordance with the auditing standards generally accepted in India, we have neither come across any fraud on or by the Company noticed or reported during the year nor we have been informed of such case by the management.

For and on behalf of

KHIMJI KUNVERJI & CO.

Chartered Accountants Registration No. 105146W

GAUTAMV SHAH

Partner (F – 117348)

Mumbai

Date: July 17, 2012

Comments of the Comptroller and Auditor General Of India Under Section 619(4) of the Companies Act, 1956 on the Accounts of Credit Analysis & REsearch Ltd. for the year ended March 31, 2012

The preparation of financial statements of Credit Analysis and Research Limited for the year ended 31 March 2012 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the company. The statutory auditor appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 is responsible for expressing opinion on these financial statements under Section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 17 July 2012.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under Section 619(3)(b) of the Companies Act, 1956 of the financial statements of Credit Analysis and Research Limited for the year ended 31 March 2012. This supplementary audit has been carried out independently without access to the working papers of the statutory auditor and is limited primarily to the inquiries of the statutory auditor and company personnel and a selective examination of some of the accounting records. On the basis of my audit nothing significant has come to my knowledge which would give rise to any comment upon or supplement to Statutory Auditors' report under Section 619(4) of the Companies Act, 1956.

For and on the behalf of the Comptroller and Auditor General of India

(Dhiren Mathur)

Principal Director of Commercial Audit and
Ex-Officio Member, Audit Board-I, Mumbai

Place : Mumbai

Date : September 4, 2012

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Credit Analysis & REsearch Ltd.
Balance Sheet as at March 31, 2012

<i>(All amounts in Rupees, unless otherwise stated)</i>	Note	As at March 31, 2012	As at March 31, 2011
EQUITY AND LIABILITIES			
Shareholders' Funds			
Share Capital	2	285,528,120	95,176,040
Reserves and Surplus	3	3,485,599,819	2,932,369,240
Non Current Liabilities			
Deferred Tax Liability (Net)	4	32,714,042	26,022,771
Long term provisions	5	22,750,481	18,842,269
Current Liabilities			
Other Current Liabilities	6	384,045,373	125,473,556
Short Term Provisions	7	70,985,149	121,329,301
Total		4,281,622,984	3,319,213,177
ASSETS			
Non Current Assets			
Fixed Assets			
Tangible Assets	8	483,408,759	420,521,676
Non Current Investments	9	2,124,444,259	2,238,217,732
Long Term Loans and Advances	10	115,894,895	32,701,012
Other Non Current Assets	11	10,306,907	3,875,594
Current Assets			
Current Investments	12	624,344,443	302,696,867
Trade Receivables	13	156,260,289	123,265,161
Cash and Bank Balances	14	685,992,923	180,738,754
Short Term Loans and Advances	15	11,971,654	5,910,751
Other Current Assets	16	68,998,855	11,285,630
Total		4,281,622,984	3,319,213,177

The notes are an integral part of these financial statements

As per our attached Report of even date

For **Khimji Kunverji & Co.**
Chartered Accountants
Registration no I05146 W

For and on behalf of the Board of
Credit Analysis & REsearch Limited

Gautam V Shah
Partner (F-117348)

O. V. Bundellu
Chairman

D. R. Dogra
Managing Director & CEO

Mumbai
Date : July 17, 2012

Rajesh Mokashi
Dy. Managing Director

Navin K. Jain
Company Secretary

Credit Analysis & REsearch Ltd.
Statement of Profit and Loss for the year ended March 31, 2012

<i>(All amounts in Rupees, unless otherwise stated)</i>	Note	For the year ended March 31, 2012	For the year ended March 31, 2011
INCOME			
Revenue From Operations	17	1,780,750,403	1,708,686,060
Other Income	18	282,123,248	57,596,376
Total Income		2,062,873,651	1,766,282,436
EXPENDITURE			
Employee Benefits Expense	19	422,408,759	305,050,764
Other Expenses	20	126,534,365	99,028,799
Depreciation	8	18,813,632	22,095,835
Total Expenses		567,756,756	426,175,398
Profit before Tax and exceptional items		1,495,116,895	1,340,107,038
Add : Prior period adjustments		-	925,800
Profit before Tax		1,495,116,895	1,341,032,838
Current Tax		412,995,045	425,018,100
Deferred Tax Expense		6,691,271	6,524,737
Less : Income tax adjustment for earlier years		-	(80,577)
Total Tax Expense		419,686,316	431,462,260
Profit after Tax		1,075,430,579	909,570,578
Earning Per Share (Refer Note 22) (Face Value Rs.10/-)			
- Basic		37.66	31.86
- Diluted		37.66	31.86

The notes are an integral part of these financial statements

As per our attached Report of even date

For **Khimji Kunverji & Co.**
Chartered Accountants
Registration no 105146 W

For and on behalf of the Board of
Credit Analysis & REsearch Limited

Gautam V Shah
Partner (F-117348)

O. V. Bundellu
Chairman

D. R. Dogra
Managing Director & CEO

Mumbai
Date : July 17, 2012

Rajesh Mokashi
Dy. Managing Director

Navin K. Jain
Company Secretary

Credit Analysis & REsearch Ltd.

Cash Flow Statement for the year ended March 31, 2012

<i>(All amounts in Rupees, unless otherwise stated)</i>	For the year ended March 31, 2012	For the year ended March 31, 2011
Cash Flows from Operating Activities		
Profit before tax	1,495,116,895	1,341,032,838
Adjustments for		
Interest on investments	(101,648,764)	(19,578,428)
Interest on deposits	(1,714,720)	(89,924)
Dividend Income	(33,143,367)	(16,359,567)
Profit on sale / redemption of investments	(145,412,928)	(20,635,539)
Unrealised Foreign Exchange (Gain) / Loss	11,210	-
Provision for Leave Encashment	9,336,289	4,942,971
Provision for Gratuity	-	6,800,445
Provision for Bad Debts	-	290,748
Profit on sale of fixed assets	-	(8,431)
Loss on Sale of Fixed Assets	-	728,933
Depreciation	18,813,632	22,095,835
Operating Profit before working capital changes	1,241,358,247	1,319,219,881
Movements in working capital		
Decrease/(Increase) in Trade Receivables	(32,995,128)	(56,887,667)
Decrease/(Increase) in Deposits	(422,031)	(1,634,027)
Decrease/(Increase) in Advances	(7,044,999)	34,432,432
Decrease/(Increase) in Gratuity	(1,339,609)	-
Increase/(Decrease) in Unearned Revenue	220,524,676	25,338,148
Increase/(Decrease) in Trade Payables	7,570,040	12,172,862
Increase/(Decrease) in Other Liabilities	46,606,807	(13,040,284)
Cash generated from Operations	232,899,756	381,464
Taxes paid	(494,791,105)	(430,661,587)
Net Cash from Operations	979,466,898	888,939,758
Cash Flows from Financing Activities		
Dividend and Dividend Tax paid	(71,901,935)	(55,643,659)
Interim Dividend and Dividend Tax paid	(331,847,920)	-
Net Cash from Financing Activities	(403,749,855)	(55,643,659)
Cash Flows from Investing Activities		
Income from investments	219,111,944	48,716,897
Investment in subsidiary company	(89,398,652)	-
Sale of fixed assets	-	497,918
Purchase of fixed assets	(81,700,715)	(165,595,014)
Purchase of investments	(4,629,077,087)	(2,033,397,270)
Sale of investments	4,510,601,636	1,352,757,359
Net Cash from Investing Activities	(70,462,874)	(797,020,110)

Credit Analysis & REsearch Ltd.

Cash Flow Statement for the year ended March 31, 2012 - Contd.

<i>(All amounts in Rupees, unless otherwise stated)</i>	For the year ended March 31, 2012	For the year ended March 31, 2011
Net increase / (decrease) in cash and cash equivalents	505,254,169	36,275,989
Cash And Cash Equivalents At The Beginning	180,738,754	144,462,765
Cash And Cash Equivalents At The End	685,992,923	180,738,754
Cash and cash equivalents comprise of:		
Cash on hand	47,567	78,177
Cheques in hand	34,297,073	12,444,203
Other Bank balances		
On Current Account	121,648,283	60,195,743
Deposit Accounts	530,000,000	108,020,631
Total	685,992,923	180,738,754

As per our attached Report of even date

For **Khimji Kunverji & Co.**

Chartered Accountants
Registration no I05146 W

For and on behalf of the Board of
Credit Analysis & REsearch Limited

Gautam V Shah
Partner (F-117348)

O. V. Bundellu
Chairman

D. R. Dogra
Managing Director & CEO

Mumbai
Date : July 17, 2012

Rajesh Mokashi
Dy. Managing Director

Navin K. Jain
Company Secretary

I. Summary of Significant Accounting Policies

a. Basis of Preparation of Financial Statements

The financial statements have been prepared under the historical cost convention on the accrual basis of accounting and comply with the Companies (Accounting Standards) Rules 2006 issued by the Central Government and relevant provisions of the Companies Act, 1956 to the extent applicable. The accounting policies have been consistently followed by the Company.

b. Use of Estimates

The financial statements are prepared in accordance with generally accepted accounting principles (GAAP) in India which requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent liabilities. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements which in management's opinion are prudent and reasonable. Actual results may differ from the estimates and assumptions used in preparing the accompanying financial statements. Any revision to accounting estimates is recognized prospectively in current and future periods.

c. Changes in Accounting Policy for Revenue Recognition

During the year, the Company changed its revenue recognition policy for surveillance fees. Up till now the Company was recognizing surveillance fees in full in the year in which they became due. However, in the current year the management has estimated a portion of surveillance fees to be recognised as income, commensurate with the efforts involved on the date the surveillance activity is completed. The balance surveillance fee is recorded equally over the 12 months surveillance period which commences 1 year after the date of assigning a rating.

Had the Company continued with its earlier policy, Rating Income including surveillance fees for the year would have been higher by Rs. 197,892,924 while profit after tax and revenue reserves would have been higher by Rs. 133,686,565.

d. Revenue Recognition

Income from operations comprises income from initial rating and surveillance services and subscription to information services. Initial rating fee is recognized as income on assignment of rating by the Rating Committee. The company recognizes a portion of surveillance fees as income, commensurate with the efforts involved, on the date the surveillance activity is completed. The balance surveillance fee is recorded equally over the 12 months surveillance period which commences 1 year after the date of assigning a rating.

Fee for technical know-how is accounted for on accrual basis. Income on subscription to information services is recognized as and when the same is received.

As a matter of prudent policy and on the basis of past experience of recoverability income, fees in respect of certain defined categories of clients are recognized when there is reasonable certainty of ultimate collection.

e. Investment Income

Dividend from investments is recognized as income as and when the right to receive the same is established. Interest income is accrued on a time proportion basis over the period of investment.

f. Fixed Assets

Fixed assets are stated at cost less accumulated depreciation.

g. Depreciation

Depreciation is provided on straight - line method in the manner and at the rates prescribed in Schedule XIV of the Companies Act, 1956. Depreciation on assets added, sold or discarded during the year has been provided on a pro-rata basis.

Computer software is fully depreciated in the year of purchase.

h. Operating Leases

Leases of assets under which all the risks and benefits of ownership are effectively retained by lessor are classified as operating leases. Payments made under operating leases are charged to the Profit & Loss Account, on a straight line basis, over the lease term.

i. Investments

Investments are classified in to current and non-current investments. Non-current investments are carried at cost. Provision for diminution, if any, is made if the decline in value is other than temporary in nature. Current investments are stated at lower of cost and fair value. Any reduction in fair value and reversals of such reduction are included in Statement of Profit & Loss. Investments in Commercial Paper stated at carrying cost.

j. Foreign Currency Translation

Foreign currency transactions are recorded, on initial recognition in the reporting currency, at the prevailing rates as at the date of such transactions.

Foreign currency monetary items are reported using the closing rates. Non-monetary items which are carried in terms of historical costs denominated in a foreign currency are reported using the exchange rate at the date of transaction.

Exchange differences, arising on settlement of monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expense in the year in which they arise.

k. Retirement Benefits

The Company provides retirement benefits to its employees in the form of Provident Fund, Superannuation and Gratuity.

- i) Contribution to the Provident Fund is made at the prescribed rates to the Provident Fund Trust / Commissioner. Contribution to Provident Fund is charged to Statement of Profit & Loss.
- ii) Superannuation benefit is contributed by the Company to Life Insurance Corporation of India (LIC) @ 10% of basic salary of the employees with respect to certain employees. Contribution to Superannuation Fund is charged to Statement of Profit & Loss.
- iii) Company accounts for the liability of future gratuity benefits based on actuarial valuation. The company has created a trust for future payment of gratuities which is funded through gratuity-cum-life insurance scheme of LIC of India (Defined Benefit Plan)
- iv) Long term compensated absences are determined on the basis of actuarial valuation made at the end of each financial year using the projected unit credit method except for Short term compensated absences which are provided for based on estimates. Actuarial gain and losses are recognized immediately in the statement of Profit and Loss Account as income or expenses.

I. Accounting for taxes

- i) **Current Tax** : Current tax is provided on the taxable income in accordance with the provisions of the Income Tax Act, 1961.
- ii) **Deferred Tax** : The Deferred tax is accounted in accordance with the Accounting Standard 22" Accounting for Taxes on Income" issued by The Institute of Chartered Accountants of India. The Deferred tax for the year on timing differences are accounted at tax rates that have been enacted by the Balance Sheet date.

Deferred tax assets arising from the timing difference are recognized to the extent that there is reasonable certainty that sufficient future taxable Income will be available.

m. Provisions and Contingent Liabilities

The Company creates a provision where there is present obligation as a result of past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

n. Impairment of Asset

As asset is treated as impaired when the carrying cost of asset exceeds its recoverable value. An impairment loss, if any, is charged to the Statement of Profit & Loss to the extent carrying amount of asset exceeds their recoverable amount in the year in which an asset is identified as impaired.

Note 2

Share Capital

	As at March 31, 2012		As at March 31, 2011	
	Number	Amount Rs.	Number	Amount Rs.
Authorised Equity Shares of Rs.10 each	30,000,000	300,000,000	10,000,000	100,000,000
Issued, subscribed and fully paid up Equity Shares of Rs.10 each	28,552,812	285,528,120	9,517,604	95,176,040
Total issued, subscribed and fully paid up share capital	28,552,812	285,528,120	9,517,604	95,176,040

a Reconciliation of the shares outstanding at the beginning and at the end of the year

Equity Shares	As at March 31, 2012		As at March 31, 2011	
	Number	Amount Rs.	Number	Amount Rs.
At the beginning of the year	9,517,604	95,176,040	9,517,604	95,176,040
Issued during the year - Bonus issue	19,035,208	190,352,080	-	-
Outstanding at the end of the year	28,552,812	285,528,120	9,517,604	95,176,040

b Terms / rights attached to equity shares

The company has only one class of equity shares having a par value of Rs. 10 per share. Each holder of equity shares is entitled to one vote per share. The company declares and pays dividends in Indian Rupees. The dividend proposed by the Board of Directors is subject to approval of the shareholders at the ensuing Annual General Meeting.

During the year ended March 31, 2012, the amount of per share dividend recognized as distributions to equity shareholders was Rs.10 (March 31, 2011: Rs. 6.50)

In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

c Aggregate number of bonus shares issued, share issued for consideration other than cash and shares bought back during the period of five years immediately preceding the reporting date

Equity Shares	As at March 31, 2012 Number	As at March 31, 2011 Number
Equity Shares allotted as fully paid up bonus shares	2,04,85,869	14,50,661
Equity Shares allotted as fully paid up pursuant to contracts for consideration other than cash	Nil	Nil
Equity Shares bought back by the company	Nil	Nil
Equity Shares allotted as fully paid up in exercise of options granted under the ESOP	2,91,943	2,91,943

d Details of shareholders holding more than 5% shares in the company

Equity Shares of Rs. 10 each fully paid	As at March 31, 2012		As at March 31, 2011	
	Number	% holding in the class	Number	% holding in the class
IDBI Bank Limited	7,363,200	25.79%	2,454,400	25.79%
Canara Bank	6,513,600	22.81%	2,171,200	22.81%
State Bank of India	2,743,500	9.61%	914,500	9.61%
IL&FS Financial Services Limited	2,566,500	8.99%	855,500	8.99%
The Federal Bank Limited	1,770,000	6.20%	590,000	6.20%
Bajaj Holdings and Investment Limited	1,707,615	5.98%	569,205	5.98%

e Shares reserved for issue under options / commitments

The Board of Directors and shareholders of the Company through their resolutions dated February 18, 2012 and April 18, 2012, respectively, approved the Stock Option Scheme of Credit Analysis and Research Limited, 2012 to issue stock options only to erstwhile Managing Director in accordance with the Grant Proposal. Accordingly, a grant letter dated April 20, 2012 was issued to him.

In terms of the Grant Letter, 1,94,622 stock options equivalent to 1,94,622 Equity Shares (including adjustments for prior issue of bonus shares made by the Company in the year 2010 and 2011) were granted to him on April 20, 2012. In terms of the Scheme and the Grant Letter, he was required to exercise the stock options within the exercise period specified therein.

In accordance with the terms of the Scheme and the Grant Letter, the exercise period expired on May 5, 2012, he did not exercise the stock options that were granted under the Grant Letter. Therefore, stock options granted to him lapsed in accordance with the terms of Scheme and the Grant Letter and there are no outstanding options as on date.

Note 3

Reserves and Surplus

Amount Rs.

	As at March 31, 2012	As at March 31, 2011
a. Capital Redemption Reserve	2,250,000	2,250,000
b. Securities Premium Account	20,106,747	20,106,747
c. General Reserve		
Opening Balance	1,125,183,924	925,183,924
(+) Current Year Transfer	120,000,000	200,000,000
(-) Utilized for issuing fully paid up bonus shares	190,352,080	-
Closing Balance	1,054,831,844	1,125,183,924
d. Surplus/(deficit) in the statement of profit and loss		
Opening balance	1,784,828,569	1,147,159,926
(+) Net Profit for the current year	1,075,430,579	909,570,578
(-) Proposed Dividends	-	61,864,431
(-) Interim Dividends	285,528,120	-
(-) Tax on Proposed Dividends	-	10,037,504
(-) Tax on Interim Dividends	46,319,800	-
(-) Transfer to Reserves	120,000,000	200,000,000
Closing Balance	2,408,411,228	1,784,828,569
Total Reserves & Surplus	3,485,599,819	2,932,369,240

Note 4

Deferred Tax Liability (Net)

	As at March 31, 2012	As at March 31, 2011
Deferred Tax Liability		
Depreciation on Fixed Assets	44,624,430	34,904,000
Less : Deferred Tax Assets .		
Provision for Leave Encashment	11,910,388	8,881,229
Total	32,714,042	26,022,771

Note 5

Long term provisions

	Amount Rs.	
	As at March 31, 2012	As at March 31, 2011
Provision for employee benefits		
Provision for Leave Encashment	22,750,481	14,343,001
Provision for Gratuity	-	4,499,268
Total	22,750,481	18,842,269

Note 6

Other Current Liabilities

	As at March 31, 2012	As at March 31, 2011
Unearned Revenue	335,791,530	115,266,854
Sundry Creditors for Expenses*	7,436,589	5,966,735
Other Liabilities	40,817,254	4,239,967
Total	384,045,373	125,473,556

*Refer note 29 for amounts due to micro, small and medium enterprises

Note 7

Short Term Provisions

	As at March 31, 2012	As at March 31, 2011
Provision for employee benefits		
Provision for Leave Encashment	13,958,990	13,030,181
Provision for Gratuity	-	1,497,371
Provision for Variable Pay to employees	41,000,000	34,899,814
Provision for Leave Travel Allowance	16,026,159	-
Others		
Proposed Dividend	-	61,864,431
Provision for Dividend Tax	-	10,037,504
Total	70,985,149	121,329,301

Note 8

Amount Rs.

Fixed Assets	Gross Block			Impairment			Depreciation				Net Block	
	As at 1-Apr-11	Additions during the year	Deductions during the year	As at 31-Mar-12	During the Year	As at 31-Mar-12	Upto 1-Apr-11	For the Year	Written off/ Adjusted	Upto 31-Mar-12	As at 31-Mar-12	As at 31-Mar-11
Tangible Assets												
Furniture & Fixtures	38,016,420	3,300,866	-	41,317,286	-	-	10,146,585	2,490,030	-	12,636,615	28,680,671	27,869,835
Office Equipments	16,120,049	2,048,873	-	18,168,922	-	-	3,151,743	820,822	-	3,972,565	14,196,357	12,968,306
Computers	32,342,156	10,395,704	-	42,737,860	-	-	12,170,344	5,323,111	-	17,493,455	25,244,405	20,171,812
Vehicles	6,029,790	4,000,000	-	10,029,790	-	-	1,222,272	575,929	-	1,798,201	8,231,589	4,807,518
Electrical Installations	5,874,948	674,683	-	6,549,631	-	-	1,017,946	449,177	-	1,467,123	5,082,508	4,857,002
Buildings	366,570,907	58,255,920	-	424,826,827	-	2,257,525	14,466,179	6,129,894	-	20,596,073	401,973,229	349,847,203
Total Tangible Assets (A)	464,954,270	78,676,046	-	543,630,316	-	2,257,525	42,175,069	15,788,963	-	57,964,032	483,408,759	420,521,676
Intangible Assets												
Computer Software	15,628,697	3,024,669	-	18,653,366	-	-	15,628,697	3,024,669	-	18,653,366	-	-
Total Intangible Assets (B)	15,628,697	3,024,669	-	18,653,366	-	-	15,628,697	3,024,669	-	18,653,366	-	-
Total	480,582,967	81,700,715	-	562,283,682	-	2,257,525	57,803,766	18,813,632	-	76,617,398	483,408,759	420,521,676
Previous Year	318,027,342	165,595,014	3,039,389	480,582,967	-	2,257,525	37,528,900	22,095,835	1,820,969	57,803,766	420,521,676	-

Credit Analysis & REsearch Ltd.

Notes to the financial statements for the year ended on March 31, 2012

Note 9

Non Current Investments

Amount Rs.

	As at March 31, 2012	As at March 31, 2011
Trade Investment		
A) UNQUOTED		
1) Investment in Subsidiaries		
6,020,540 equity shares, being 75.13% of (PY Nil) Equity Share of Kalypto Risk Technologies Pvt. Ltd.	89,398,652	
Other Investments (valued at cost, unless stated otherwise)		
A) QUOTED		
1) Investment in Bonds of PSUs		
300 Bonds (PY 300) 6.32% Tax Free Bonds of Indian Railway Finance Corporation (FV Rs 100000)(Maturing on December 20, 2017)	30,000,000	30,000,000
400 Bonds (PY 400 Bonds) of 6.85% Tax Free Bonds of India Infrastructure Finance Co. Ltd. (FV Rs 100000) (Maturing on January 22, 2014)	40,000,000	40,000,000
400 Bonds (PY 400 Bonds) of 6.85% Tax Free Bonds of India Infrastructure Finance Co. Ltd. (FV Rs 100000) (Maturing on March 20, 2014)	40,000,000	40,000,000
1000 Bonds (PY 1000 Bonds) of 6.00% Tax Free Bonds of Indian Railway Finance Corporation (FV Rs 100000) (Maturing on March 8, 2015)	100,000,000	100,000,000
43,502 Bonds (PY NIL Bonds) of 8.24% Tax Free Bonds of Indian Railway Finance Corporation (FV Rs 1000) (Maturing on Febuary 2022)	43,502,000	-
49,448 Bonds (PY NIL Bonds) of 8.20% Tax Free Bonds of National Highway Authourity of India (FV Rs 1000) (Maturing on June 25, 2022)	49,448,000	-
1,42,718 Bonds (PY NIL Bonds) of 8.20% Tax Free Bonds of Power Finance Corporation (FV Rs 1000) (Maturing on Febuary 01, 2022)	145,018,000	-
	447,968,000	210,000,000
2) Investment in Gold ETF		
9563 Units (PY 2455 Units) UTI MF Gold Traded Mutual Fund	22,524,472	5,009,600
5247 Units (PY Nil Units) IDBI MF- Gold ExchangeTraded Fund Open Ended	15,007,017	-
08417 Units (PY Nil Units) Kotak MF- Gold ExchangeTraded Fund	20,022,056	-
1423647.836 Units (PY Nil Units) Kotak MF- Gold Exchange Traded Fund	14,000,000	-
	71,553,545	5,009,600

Note 9

Non Current Investments - Contd.

Amount Rs.

	As at March 31, 2012	As at March 31, 2011
B) UNQUOTED		
1) Investment in various Equity Mutual Fund Schemes		
234366.421 units (PY 25818.752 units) DSP Blackrock Top 100 Equity Fund Regular G	22,500,000	2,500,000
698854.824 units (PY 67976.603 units) Franklin India Bluechip Fund Dividend Re-investment	25,280,635	2,500,000
14947.2898 units (PY 12587.478 units) HDFC Top 200	22,500,000	2,500,000
1716519.681 units (PY 181203.232 units) ICICI Prudential Top 100 Fund Dividend	24,318,094	3,068,097
	94,598,729	10,568,097
2) Investment in G-Sec		
Face value - Rs. 50,000,000 (PY Rs. Nil) G-Sec 8.79% Government of India 2021 (Maturing in 2021)	50,782,050	-
3) Investment in various Fixed Maturity Plans of Debt Mutual Funds		
5,000,000 units (PY Nil) of Baroda Pioneer FMP 367 Days Plan - Series 3	50,000,000	-
8,000,000 units (PY Nil) of Birla Sun Life Fixed Term Plan - Series CF G Plan	-	80,000,000
2,000,000 units (PY Nil) of Birla Sun Life Fixed Term Plan - Series DT G Plan	20,000,000	-
Nil units (PY 5,032,663) of BNP Paribas MF - FTP Series 16A - G	-	50,326,630
Nil units (PY 5,000,000 units) of Deutsche MF FTF Series 71- G	-	50,000,000
10,000,000 units (PY Nil) of DWS Fixed Term Fund Series 80- G Plan	100,000,000	-
4,000,000 units (PY Nil) of DWS Fixed Term Fund Series 92- G Plan	40,000,000	-
Nil units (PY 12,480,837.576) of DWS Fixed Term Fund Series 67- G Plan	-	124,808,376
Nil units (PY 5,000,000 units) of DSP Blackrock FMP - 12M - Series 7	-	50,000,000
8,002,950 units (PY Nil units) of HDFC FMP 13 M March 2010 - G	80,029,509	-
4,000,000 units (PY 4,000,000 units) of HDFC FMP - 36M - Apr 2010 (12) - G	40,000,000	40,000,000
Nil units (PY 10,000,000 units) of HDFC FMP 13 M March 2010 - G	-	100,000,000

Note 9

Non Current Investments - Contd.

Amount Rs.

	As at March 31, 2012	As at March 31, 2011
Nil units (PY 6,250,000) of HDFC FMP 367 D March 2010 (I) - G	-	62,500,000
Nil units (PY 4,500,000 units) of HDFC FMP - 370D November 2010	-	45,000,000
12,502,620 units (PY 12,502,620) of ICICI Pru FMP Series 51- 3years Plan F Cumulative	125,026,200	125,026,200
Nil units (PY 9,656,603.734 units) of ICICI Prudential Interval Fund Annual Interval Plan Inst. G	-	96,633,634
5,000,000 units (PY Nil) of IDFC Fixed Maturity Plan - Yearly Series 54 G	50,000,000	-
6,002,197 units (PY Nil) of IDFC FMP Yearly Series 52 - G	60,021,965	-
Nil units (PY 6,300,000 units) of IDFC Fixed Maturity Plan - Yearly Series 32	-	63,000,000
Nil units (PY 5,267,617 units) of IDFC FMP Yearly Series 35 - G	-	52,676,170
5,000,000 units (PY Nil) of Kotak FMP Series 60 G	50,000,000	-
9,331,838 units (PY Nil) of Kotak FMP Series 74 G	93,318,380	-
Nil units (PY 4,532,129) of Kotak FMP 18M Series 5 - G	-	45,321,290
Nil units (PY 4,500,000 units) of Kotak FMP Series 32 G	-	45,000,000
Nil units (PY 8,500,000 units) of Kotak FMP Series 33 G	-	85,000,000
10,021,068.075 units (PY 10,021,068.075 units) of Reliance Fixed Horizon Fund Xiv Series 7	100,210,680	100,210,680
3,870,000 units (PY 3,870,000 units) of Reliance Fixed Horizon Fund XIV - Series 9 - G	38,700,000	38,700,000
Nil units (PY 9,500,000 units) of Reliance Fixed Horizon Fund - XIV - Series 5	-	95,000,000
Nil units (PY 10,057,536.591) of Religare FMP Series II Plan A 13 Months G	-	100,575,425
5,418,150 units (PY Nil) of SBI Debt Fund Series 367 Days- 11- G	54,181,500	-
Nil units (PY 6,250,000) of SBI Debt Fund Series 370 Days 3 - G	-	62,500,000
Nil units (PY 1,500,000 units) of SBI MF SDFS - 370 Days - 6 - G	-	15,000,000

Note 9

Non Current Investments - Contd.

Amount Rs.

	As at March 31, 2012	As at March 31, 2011
Nil units (PY 5,000,000 units) of SBI MF - SDFS - 370 Days 7	-	50,000,000
Nil units (PY 5,000,000 units) of SBI SDFS - 370 Days - 8	-	50,000,000
8,000,000 units (PY Nil) of Sundaram Fixed Term Plan - CQ - 370 Days - G	80,000,000	-
8,418,339 units (PY Nil) of Tata FMP Series 36 - Scheme C	84,143,382	-
7,500,000 units (PY Nil) of Tata FMP Series 37 - Scheme C	75,000,000	-
4,500,000 units (PY Nil) of Tata FMP Series 39 - Scheme H - 367 Days - G	45,000,000	-
Nil units (PY 7,500,000) of Tata FMP Series 25 - Scheme A	-	75,000,000
Nil units (PY 7,777,445 units) of Tata FMP Series 27 - Scheme A	-	77,774,450
Nil units (PY 3,000,000 units) of Tata FMP Series 29 - Scheme C	-	30,000,000
5,395,942.01 units (PY Nil) of UTI - Fixed Term Income Fund - Series IX - III- G	53,959,366	-
4,288,960 units (PY Nil) of UTI - Fixed Term Income Fund Series IX-V -367 Days- G	42,889,600	-
6,516,264.63 units (PY Nil) of UTI - Fixed Term Income Fund - X - X -367 Days - G	65,162,701	-
2,250,000 units (PY Nil) of UTI - Fixed Term Income Fund -X -VII - 368 Days - G	22,500,000	-
Nil units (PY 5,008,718.021) of UTI Fixed Maturity Plan - Yearly Series March 2010 Inst. G	-	50,087,180
Nil units (PY 4,000,000 units) of UTI - Fixed Term Income Fund - Series VIII - I 367 Days G	-	40,000,000
Nil units (PY 6,250,000 units) of UTI - Fixed Term Income Fund Series VIII -IV 369 Days G	-	62,500,000
Nil units (PY 5,000,000 units) of UTI - Fixed Term Income Fund - Ser.VIII -V 366 Days G	-	50,000,000
	1,370,143,283	2,012,640,035
Total	2,124,444,259	2,238,217,732
Aggregate amount of quoted investments (Market value: Rs.525,513,271, PY Rs. 216,632,074)	519,521,545	215,009,600
Aggregate amount of unquoted investments	1,604,922,714	2,023,208,132
Aggregate provision for diminution in value of investments	-	-

Credit Analysis & REsearch Ltd.

Notes to the financial statements for the year ended on March 31, 2012

Note 10

Long Term Loans and Advances (Unsecured, considered good)

	Amount Rs.	
	As at March 31, 2012	As at March 31, 2011
Deposits	5,619,722	5,208,901
Vehicle Loan to Employees	1,233,869	1,252,028
Accrued Interest on Loans to Employees	289,848	188,474
Other Loans and Advances		
Prepaid Expenses	903,787	-
Advance payment of taxes (Net)	107,847,669	26,051,609
Total	115,894,895	32,701,012

Note 11

Other Non Current Assets (Unsecured, considered good)

	As at March 31, 2012	As at March 31, 2011
Interest Accrued on Investments	8,967,298	3,875,594
Gratuity	1,339,609	-
Total	10,306,907	3,875,594

Note 12

Current Investments

	As at March 31, 2012	As at March 31, 2011
Other Investments (valued at lower of cost or fair value, unless stated otherwise)		
A) QUOTED		
1) Investment in Commercial Paper (valued at carrying cost)		
Nil Units (PY 100 Units) Commercial Paper - IL & FS 23-01-2012 (Maturing on January 23, 2012)	-	46,295,850
200 Units (PY Nil Units) Commercial Paper - First Blue Home Finance Ltd 15-05-2012 (Maturing on May 15, 2012) 364 Days	90,114,600	-
200 Units (PY Nil Units) Commercial Paper - Tata Capital Ltd. 30-05-2012 (Maturing on May 30, 2012) 365 Days	90,594,900	-
200 Units (PY Nil Units) Commercial Paper - Trapti Trading & Investment 06-06-2012 (Maturing on June 06, 2012) 365 Days	90,114,600	-
200 Units (PY Nil Units) Commercial Paper - J. M Financial Ltd. 12-06-2012 (Maturing on June 08, 2012) 365 Days	89,952,900	-
100 Units (PY Nil Units) Commercial Paper - Tata Capital Ltd. 30-09-2012 (Maturing on September 30, 2012) 364 Days	45,518,350	-
200 Units (PY Nil Units) Commercial Paper - TGS Investments & Trade Pvt. Ltd. 30-06-2012 (Maturing on June 30, 2012) 365 Days	90,260,600	-
	496,555,950	46,295,850
B) UNQUOTED		
1) Investment in various open-ended Debt Mutual Funds		
61438.674 units (PY Nil units) of Canara Robeco TAF Super IP DDR	76,227,577	-
51560.916 units (PY 16549417.698 units) of IDBI Ultra Short Term Fund DDR	51,560,916	165,494,177
Nil units (PY 31218.763 units) of Baroda Pioneer Treasury Advantage Fund - Int. DD Plan	-	31,247,172
Nil units (PY 3,474,266.903 units) of JM Money Manager Fund Super Plus Plan- DDR	-	36,584,592
Nil units (PY 2307507.572 units) of LIC NOMURA MF Income Plus Fund	-	23,075,076
	127,788,493	256,401,017
	624,344,443	302,696,867
Aggregate amount of quoted investments (Market value: Rs. 538,168,750, PY Rs. 46,295,900)	496,555,950	46,295,850
Aggregate amount of unquoted investments	127,788,493	256,401,017
Aggregate provision for diminution in value of investments	-	-

Credit Analysis & REsearch Ltd.

Notes to the financial statements for the year ended on March 31, 2012

Note 13

Trade Receivables (Unsecured, considered good)

Amount Rs.

	As at March 31, 2012	As at March 31, 2011
- Debts o/s for a period exceeding six months	40,461,590	22,681,494
- Other Debts	115,798,699	100,583,667
Total	156,260,289	123,265,161

Note 14

Cash and Bank Balances

	As at March 31, 2012	As at March 31, 2011
Cash and Cash Equivalents		
Cash on hand	47,567	78,177
Cheques in hand	34,297,073	12,444,203
Other Bank Balances		
- On Current Account	121,648,283	60,195,743
- Deposit Accounts	530,000,000	108,020,631
Total	685,992,923	180,738,754
<i>Deposit accounts with more than 12 months maturity</i>	475,000,000	50,000,000

Note 15

Short Term Loans and Advances (Unsecured, considered good)

	As at March 31, 2012	As at March 31, 2011
Loans to Employees	1,125,498	1,076,449
Prepaid Expense	7,462,268	2,193,380
<i>Advances recoverable in cash or in kind or for value to be received</i>		
Advance to Suppliers	1,556,282	798,341
Capital Advance	-	1,704,285
Other Advances	1,827,606	138,296
Total	11,971,654	5,910,751

Note 16

Other Current Assets

	As at March 31, 2012	As at March 31, 2011
Interest Accrued on Investments	68,984,706	11,268,575
Interest Accrued on Loans to Employees	14,149	16,955
CARE ESOS Trust 2006 Account	-	100
Total	68,998,855	11,285,630

Note 17

Revenue From Operations

Amount Rs.

	For the year ended March 31, 2012	For the year ended March 31, 2011
Rating Income (including Surveillance)	1,768,493,399	1,696,889,520
Fee for Technical Know-how Services	1,740,535	3,632,490
Sale of Publications / Information Services	10,516,469	8,164,050
Total	1,780,750,403	1,708,686,060

Note 18

Other Income

	For the year ended March 31, 2012	For the year ended March 31, 2011
Interest: on investments		
On long term investment	84,742,488	7,460,814
On short term investment	16,906,276	12,117,614
Others	1,714,720	89,924
Dividend on Investments		
On long term investments	31,612,727	568,096
On short term investment	1,530,640	15,791,471
Profit/(Loss) on Redemption/Sale of investments (Net)	145,412,928	20,635,539
Profit on Sale of Assets	-	8,431
Interest on Income Tax Refund	-	665,122
Forex Gain	145,851	-
Miscellaneous Income	57,618	259,365
Total	282,123,248	57,596,376

Note 19

Employee Benefits Expense

	For the year ended March 31, 2012	For the year ended March 31, 2011
Salaries and Other Allowances*	381,559,671	272,507,003
Contribution to Provident, Gratuity & Other Funds	26,371,116	26,187,202
Staff Welfare Expenses	14,477,972	6,356,559
Total	422,408,759	305,050,764

* includes Rs 1,17,32,664 being Leave Travel Allowance provided for earlier years.

Note 20

Other Expenses

	Amount Rs.	
	For the year ended March 31, 2012	For the year ended March 31, 2011
Electricity Charges	8,070,583	6,289,270
Postage & Telephone Charges	7,010,975	4,955,196
Rent	13,244,108	5,118,743
Travelling & Conveyance Expenses	23,576,205	19,171,863
Directors' Sitting Fees	1,260,000	780,000
Sitting Fees to Rating Committee	3,233,513	4,230,000
Insurance Premium	1,571,092	1,421,949
Legal/Professional Fee	27,909,427	19,937,669
Rates & Taxes	1,950,557	2,171,739
Repairs & Maintenance		
- Buildings	2,222,690	2,215,782
- Others	6,915,387	4,335,396
Forex Loss	-	4,574
Unrealised Exchange Gain/Loss	11,210	-
Loss on Sale of Fixed Assets	-	728,933
Advertisement and Sponsorship Expenses	5,259,811	9,179,206
Training Expenses	922,174	856,273
Office Supplies	6,634,929	6,391,002
Bad Debts Written off	3,983,047	1,477,234
IPO Expenses	1,588,500	-
Auditors Remuneration:		
- Audit Fees	650,000	300,000
- Tax Audit Fees	50,000	50,000
- Certification fees	-	135,000
Miscellaneous Expenses	10,470,157	9,278,970
Total	126,534,365	99,028,799

21 Contingent Liability

Capital commitments not provided for - Rs. Nil (Previous Year – Rs. 1,245,808)

Claims against the Company not acknowledged as debts – Rs. 26,579,038/- (Previous Year – Rs. 12,578,380).

Nature of dues	Period	Amount Rs.
TDS Demands	2006-07, 2007-08, 2009-10, 2011-12	21,533,286
Tax Assessments	2007-08, 2009-10	5,045,752
Total		26,579,038

22 Earnings Per Share

Particulars	For the year ended March 31,2012	For the year ended March 31,2011
Net Profit After Tax (A)	1,075,430,579	909,570,578
Weighted average number for shares for computation of Basic Earnings Per Share (B)	28,552,812	28,552,812
Basic Earnings Per Share (A/B)	37.66	31.86

23 List of Related Parties

Parties	Relationship
Related party where control exists Kalypto Risk Technologies Pvt. Ltd. (75.13% equity stake acquired in November 2011)	Subsidiary
Key Management Personnel Shri D.R. Dogra Shri Rajesh Mokashi	Managing Director Deputy Managing Director

**24 Remuneration to the Whole time Directors
(Managing Director and Dy. Managing Director)**

Particulars	For the year ended March 31,2012	For the year ended March 31,2011
Salary & Other Allowances	16,737,600	14,754,400
Contribution to Provident Fund/Superannuation	1,733,784	2,667,600
Perquisites	116,512	189,807
Performance Linked Pay	3,000,000	2,040,000
Commission	2,200,000	1,560,000
Provision for Gratuity *	-	-

* Amount is not ascertainable and is covered under Group Gratuity policy of LIC

25 Expenditure in foreign currency

Amount Rs.

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
Foreign Travel	3,507,287	3,607,927
Training	181,837	487,229
Administrative Expenses	4,069,192	452,470
License Fees	-	463,967
Membership Fees	49,590	164,735
Capital Expenditure	80,988	353,738
Total	7,888,894	5,530,066

26 Income in foreign currency

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
Technical Know how	1,740,535	4,558,290
Information Services	372,987	946,879
Rating	772,770	1,986,145
Total	2,886,292	7,491,314

27 Payment to Auditors

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
Audit fees*	650,000	300,000
In any other capacity :		
(a) Tax Audit fees*	50,000	50,000
(b) Others including certification	-	135,000
Total	700,000	485,000

* Exclusive of service tax

28 Disclosure as per Accounting Standard 15 (revised 2005)

The following information is disclosed in terms of Accounting Standards issued by the Institute of Chartered Accountants of India

a Assumptions	Gratuity (Funded)		Compensated Leave absence (unfunded)	
	Apr 2011 to Mar 2012	Apr 2010 to Mar 2011	Apr 2011 to Mar 2012	Apr 2010 to Mar 2011
Discount Rate Previous	8.25%	8.00%	8.25%	8.00%
Rate of Return on Plan Assets Previous	8.00%	8.00%	-	-
Salary Escalation Previous	5.00%	5.00%	5.00%	5.00%
Attrition Rate Previous Year	2.00%	2.00%	2.00%	2.00%
Discount Rate Current	8.50%	8.25%	8.50%	8.25%
Rate of Return on Plan Assets Current	8.00%	8.00%	-	-
Salary Escalation Current	5.00%	5.00%	5.00%	5.00%
Attrition Rate Current Year	2.00%	2.00%	2.00%	2.00%
Method of Valuation	Project Unit Credit Method	Project Unit Credit Method	Project Unit Credit Method	Project Unit Credit Method

	Gratuity (Funded)		Compensated Leave absence (unfunded)	
	Apr 2011 to Mar 2012	Apr 2010 to Mar 2011	Apr 2011 to Mar 2012	Apr 2010 to Mar 2011
b Table showing changes in Benefit Obligation				
Liability at the beginning of the year	15,553,495	8,020,028	27,373,182	22,430,211
Interest Cost	1,283,163	641,602	2,258,288	1,794,417
Current Service Cost	2,787,980	2,957,185	3,572,259	3,083,644
Cost on account of Transitional Liability incurred during the period	-	-	-	-
Service Cost (Non Vested Benefit)	-	-	-	-
Past Service Cost (Vested Benefit)	-	3,661,478	-	-
Settlement	-	-	-	-
Liability Transfer in (Liability Transfer out)	-	-	-	-
Benefit paid in the normal course	(1,497,371)	-	(13,030,181)	(10,818,291)
Actuarial (gain)/loss on obligations	(5,380,255)	273,202	16,535,923	10,883,201
Liability at the end of the year	12,747,012	15,553,495	36,709,471	27,373,182
c Table showing fair value of plan assets				
Fair value of plan assets at beginning of year	9,556,856	8,823,834	-	-
Expected Return on Plan Assets	764,548	705,907	-	-
Contributions	7,333,248	-	-	-
Transfer from other company	-	-	-	-
Transfer to other company	-	-	-	-
Benefit paid in the normal course	(1,497,371)	-	-	-
Actuarial (gain)/loss on obligations	719,655	27,115	-	-
Fair value of Plan Assets at the end of year	16,876,936	9,556,856	-	-
Liability at the end of the year	-	-	-	-
d Recognition of Actuarial Gains/Losses				
Actuarial (gain)/loss on obligations for the period	(5,380,255)	273,202	16,535,923	8,629,770
Actuarial (gain)/loss on asset for the period	(719,655)	(27,115)	-	-
Actuarial (gain)/loss recognized in Income & Expenses Statement	(6,099,910)	246,087	16,535,923	8,629,770
e Recognition of Transitional Liability				
Transition Liability at start	-	-	-	-
Transition Liability Recognized during the year	-	-	-	-
Transition Liability at end	-	-	-	-
f Actual Return on Plan Assets				
Expected Return on Plan Assets	764,548	705,907	-	-
Actuarial gain / (loss) on Plan Assets	719,655	27,115	-	-
Actual Return on Plan Assets	1,484,203	733,022	-	-
g Amount recognized in the Balance Sheet				
Fair Value of Plan Assets at the end of the year	16,876,936	9,556,856	-	-
Present Value of Benefit Obligation as at the end of the period	(12,747,012)	15,553,495	36,709,471	27,373,182
Difference	4,129,924	5,996,639	36,709,471	27,373,182
Funded Status	-	-	-	-
Unrecognized Past Service Cost	-	-	-	-
Unrecognized Transition Liability	-	-	-	-
Amount recognized in the Balance Sheet	4,129,924	(5,996,639)	(36,709,471)	(27,373,182)

	Gratuity (Funded)		Compensated Leave absence (unfunded)	
	Apr 2011 to Mar 2012	Apr 2010 to Mar 2011	Apr 2011 to Mar 2012	Apr 2010 to Mar 2011
h Amount recognized in the Income Statement				
Current Service cost	2,787,980	2,957,185	3,572,259	5,337,075
Interest Cost	1,283,163	641,602	2,258,288	1,794,417
Expected return on Plan Assets	(764,548)	(705,907)	-	-
Actuarial (gain)/loss	(6,099,910)	246,087	16,535,923	8,629,770
Past Service Cost (Non Vested Benefit) Recognized	-	-	-	-
Past Service Cost (Vested Benefit) Recognized	-	3,661,478	-	-
Recognition of Transition Liability	-	-	-	-
Expense Recognized in P&L	(2,793,315)	6,800,445	22,366,470	15,761,262
i Balance Sheet Reconciliation				
Opening Net Liability	5,996,639	(803,806)	27,373,182	22,430,211
Expense as above	(2,793,315)	6,800,445	22,366,470	15,761,262
Transfer from other company	-	-	-	-
Transfer to other company	-	-	-	-
Employer's Contribution	(7,333,248)	-	-	-
Benefits paid in the normal course	-	-	(13,030,181)	(10,818,291)
Benefits paid on account of Settlements	-	-	-	-
Amount Recognized in Balance Sheet	(4,129,924)	5,996,639	36,709,471	27,373,182

The reversal in actuarial liability of Rs 2,793,315 Gratuity is not recognized in Statement of Profit & Loss on a conservative basis.

29 Micro, Small and Medium Enterprises

Under the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED) which came into force from October 2, 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises.

On the basis of information and records available with the management, there are no outstanding dues to the Micro, Small and Medium Enterprises as defined in the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED) as set out below:

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
Principal amount and interest due thereon remaining unpaid to any supplier as at the year end.	-	-
Amount of interest paid by the Company in terms of section 16 of the Micro, Small and Medium Enterprises Development Act, 2006 ('MSMED Act'), along with the amount of the payment made to the supplier beyond the appointed day during the accounting year.	-	-
Amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED Act.	-	-
Amount of interest accrued and remaining unpaid at the end of the accounting year.	-	-

30 Operating Lease

The Company has taken various office premises under operating lease or leave and license agreements. These are generally non-cancelable and ranges between 11 months and 5 years under leave and license, or longer for the lease and are renewable by mutual consent on mutually agreeable terms. The company has given refundable interest free security deposits under certain agreements.

The lease payment are recognized in the profit and loss account under rent in Note 20

The future minimum lease payments under non-cancelable operating lease is given below :

Particulars	Amount Rs.	
	For the year ended March 31, 2012	For the year ended March 31, 2011
Rent recognized in Profit & Loss Account	13,244,108	5,118,743
Not later than one year	12,816,100	7,650,000
Later than one year and not later than five years	12,568,330	14,995,000
More than five years	Nil	Nil

31 The financial statements for the year ended March 31, 2011 were prepared as per the then applicable pre-revised schedule VI to the Act. Consequent to the notification of Revised Schedule VI under the Companies Act, 1956, the financial statements for the year ended March 31, 2012 are prepared as per Revised Schedule VI. Accordingly, the previous year's figures have also been reclassified to confirm to this year's classification. Also, certain disclosures under the pre-revised Schedule VI which are not required as per the revised Schedule VI have not been made. The adoption of Revised Schedule VI for previous year figures does not impact recognition and measurement principles followed for preparation of financial statements.

As per our attached Report of even date

For **Khimji Kunverji & Co.**
Chartered Accountants
Registration no 105146 W

For and on behalf of the Board of
Credit Analysis & REsearch Limited

Gautam V Shah
Partner (F-117348)

O.V. Bundellu
Chairman

D. R. Dogra
Managing Director & CEO

Mumbai
Date : July 17, 2012

Rajesh Mokashi
Dy. Managing Director

Navin K. Jain
Company Secretary

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Auditors' Report on the Consolidated Financial Statements

The Board of Directors Credit Analysis & REsearch Limited

- 1 We have audited the attached Consolidated Balance Sheet of Credit Analysis & Research Limited, comprising Credit Analysis & Research Limited ('the Company') and its subsidiary, as at March 31, 2012 and also the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto (collectively referred to as 'Consolidated Financial Statements'). These Consolidated Financial Statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information of the subsidiary company. Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit.
- 2 We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the Consolidated Financial Statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Consolidated Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Consolidated Financial Statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- 3 Included in the Consolidated Financial Statement, are total assets of Rs. 34,184,505/- as at March 31, 2012, total revenue from operation of Rs. 14,969,298/- and net cash inflow of Rs. 7,215,123/- for the year then ended, of one subsidiary which have not been audited by us. These have been audited by other auditor whose report have been furnished to us and our opinion, in so far as it relates to the amounts included in respect of this subsidiary, is based solely on report of that auditor.
- 4 We report that the Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard ('AS') 21 Consolidated Financial Statements, notified by Companies Accounting Standard Rules, 2006 (as amended).
- 5 Based on our audit and on consideration of reports of other auditor on separate financial statements and on the other financial information of the subsidiary company and to the best of our information and according to the explanations given to us, we are of the opinion that the attached Consolidated Financial Statement, give a true and fair view in conformity with accounting principles generally accepted in India;
 - (a) in the case of the Consolidated Balance Sheet, of the state of affairs of the Company and its Subsidiary as at March 31, 2012;
 - (b) in the case of the Consolidated Statement of Profit and Loss Account, of the profit for the year ended on that date; and
 - (c) in the case of the Consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

For and on behalf of
Khimji Kunverji & Co.
Chartered Accountants
Firm Registration Number: 105146W

Gautam V. Shah
Partner (F-117348)

Mumbai
Date : July 17, 2012

Credit Analysis & REsearch Ltd.
Consolidated Balance Sheet as at March 31, 2012

<i>(All amounts in Rupees, unless otherwise stated)</i>	Note	As at March 31, 2012
EQUITY AND LIABILITIES		
Shareholders' Funds		
Share Capital	2	285,528,120
Reserves and Surplus	3	3,486,274,452
Minority Interest in Kalypto Risk Technologies Pvt. Ltd.		5,891,690
Non Current Liabilities		
Deferred Tax Liability (Net)	4	32,714,042
Long term provisions	5	22,773,521
Current Liabilities		
Other Current Liabilities	6	393,261,743
Short Term Provisions	7	71,100,490
Total		4,297,544,058
ASSETS		
Non Current Assets		
Fixed Assets		
Tangible Assets	8	484,651,833
Intangible Assets	8	78,249,493
Non Current Investments	9	2,035,045,607
Long Term Loans and Advances	10	118,569,472
Other Non Current Assets	11	9,535,236
Current Assets		
Current Investments	12	624,344,443
Trade Receivables	13	159,697,887
Cash and Bank Balances	14	702,498,259
Short Term Loans and Advances	15	12,709,363
Other Current Assets	16	72,242,465
Total		4,297,544,058

The notes are an integral part of these financial statements

As per our attached Report of even date

For **Khimji Kunverji & Co.**
Chartered Accountants
Registration no 105146 W

For and on behalf of the Board of
Credit Analysis & REsearch Limited

Gautam V Shah
Partner (F-117348)

O.V. Bundellu
Chairman

D. R. Dogra
Managing Director & CEO

Mumbai
Date : July 17, 2012

Rajesh Mokashi
Dy. Managing Director

Navin K. Jain
Company Secretary

Credit Analysis & REsearch Ltd.

Consolidated Statement of Profit and Loss for the year ended March 31, 2012

<i>(All amounts in Rupees, unless otherwise stated)</i>	Note	For the year ended March 31, 2012
INCOME		
Revenue From Operations	17	1,795,719,701
Other Income	18	283,175,252
Total Income		2,078,894,953
EXPENDITURE		
Employee Benefits Expense	19	428,127,701
Other Expenses	20	133,324,260
Depreciation	8	21,428,340
Total Expenses		582,880,301
Profit before Tax		1,496,014,652
Current Tax		412,994,879
Deferred Tax Expense		6,691,271
Less : Income tax adjustment for earlier years		-
Total Tax Expense		419,686,150
Profit after Tax		1,076,328,502
Less: Minority Interest in Kalypto Risk		223,290
Profit after Tax		1,076,105,212
Earning Per Share (Refer Note 22) (Face Value Rs.10/-)		
- Basic		37.70
- Diluted		37.70

The notes are an integral part of these financial statements.

As per our attached Report of even date

For **Khimji Kunverji & Co.**

Chartered Accountants
Registration no 105146 W

Gautam V Shah
Partner (F-117348)

Mumbai
Date : July 17, 2012

For and on behalf of the Board of
Credit Analysis & REsearch Limited

O.V. Bundellu
Chairman

Rajesh Mokashi
Dy. Managing Director

D. R. Dogra
Managing Director & CEO

Navin K. Jain
Company Secretary

Credit Analysis & REsearch Ltd.

Consolidated Cash Flow Statement for the year ended March 31, 2012

Amount Rs.

<i>(All amounts in Rupees, unless otherwise stated)</i>	For the year ended March 31, 2012
Cash Flows from Operating Activities	
Profit before tax (After adjusting Minority Interest)	1,495,791,362
Adjustments for	
Interest on investments	(101,648,764)
Interest on deposits	(1,714,720)
Dividend Income	(33,143,367)
Profit on sale / redemption of investments	(145,412,928)
Unrealised Foreign Exchange (Gain) / Loss	11,210
Provision for Leave Encashment	9,336,289
Provision for Gratuity	1,339,609
Depreciation	21,428,340
Operating Profit before working capital changes	1,245,987,031
Movements in working capital	
Decrease/(Increase) in Trade Receivables	(31,777,961)
Decrease/(Increase) in Deposits	(1,465,321)
Decrease/(Increase) in Advances	(7,197,112)
Decrease/(Increase) in Other Non Current Assets	(199,867)
Decrease/(Increase) in Provision for warranty	115,341
Increase / (Decrease) Provision for straightlining of rent	23,040
Decrease/(Increase) Unbilled Revenue	(3,243,610)
Increase/(Decrease) in Unearned Revenue	228,483,519
Increase/(Decrease) in Trade Payables	3,176,973
Increase/(Decrease) in Other Liabilities	44,427,503
Cash generated from Operations	232,342,505
Taxes paid	(496,411,016)
Net Cash from Operations	981,918,520
Cash Flows from Financing Activities	
Change in Minority Interest	5,891,690
Dividend and Dividend Tax paid	(71,901,935)
Interim Dividend and Dividend Tax paid	(331,847,920)
Net Cash from Financing Activities	(397,858,165)
Cash Flows from Investing Activities	
Income from investments	219,111,944
Investment in Subsidiary company	(89,398,652)
Purchase of fixed assets	(82,441,725)
Purchase of investments	(4,629,077,087)
Sale of investments	4,510,601,634
Net Cash from Investing Activities	(71,203,886)

Credit Analysis & REsearch Ltd.

Consolidated Cash Flow Statement for the year ended March 31, 2012 - Contd.

	For the year ended March 31, 2012
<i>(All amounts in Rupees, unless otherwise stated)</i>	
Net increase / (decrease) in cash and cash equivalents	512,856,469
Add: Adjustment towards acquisition	8,903,036
Cash And Cash Equivalents At The Beginning	180,738,754
Cash And Cash Equivalents At The End	702,498,259
Cash and cash equivalents comprise of:	
Cash on hand	83,455
Cheques in hand	34,297,073
Other Bank balances	
On Current Account	138,117,731
Deposit Accounts	530,000,000
Total	702,498,259

As per our attached Report of even date

For **Khimji Kunverji & Co.**

Chartered Accountants
Registration no 105146 W

Gautam V Shah

Partner (F-117348)

Mumbai

Date : July 17, 2012

For and on behalf of the Board of
Credit Analysis & REsearch Limited

O. V. Bundellu

Chairman

D. R. Dogra

Managing Director & CEO

Rajesh Mokashi

Dy. Managing Director

Navin K. Jain

Company Secretary

I Summary of Significant Accounting Policies

A Principles of Consolidation

The consolidated financial statement relate to Credit Analysis and Research Limited (CARE) and its subsidiary companies. The Consolidated financial statements have been prepared on the following basis.

- i) The financial statements of the Company and its subsidiary companies are combined on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transaction in accordance with Accounting Standard AS 21 "Consolidated Financial Statements".
- ii) The difference between the cost of investment in the subsidiaries, over the net assets at the time of acquisition of shares in the subsidiaries is recognized in the financial statements as Goodwill or Capital Reserve as the case may be.
- iii) As far as possible, the consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented in the same manner as the Company's separate financial statements.

a Basis of Preparation of Financial Statements

The financial statements have been prepared under the historical cost convention on the accrual basis of accounting and comply with the Companies (Accounting Standards) Rules 2006 issued by the Central Government and relevant provisions of the Companies Act, 1956 to the extent applicable. The accounting policies have been consistently followed by the Company.

b Use of Estimates

The financial statements are prepared in accordance with generally accepted accounting principles (GAAP) in India which requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent liabilities. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements which in management's opinion are prudent and reasonable. Actual results may differ from the estimates and assumptions used in preparing the accompanying financial statements. Any revision to accounting estimates is recognized prospectively in current and future periods.

c Changes in Accounting Policy for Revenue Recognition

During the year, the Company changed its revenue recognition policy for surveillance fees. Up till now the Company was recognizing surveillance fees in full in the year in which they became due. However, in the current year the management has estimated a portion of surveillance fees to be recognised as income, commensurate with the efforts involved on the date the surveillance activity is completed. The balance surveillance fee is recorded equally over the 12 months surveillance period which commences 1 year after the date of assigning a rating.

Had the Company continued with its earlier policy, Rating Income including surveillance fees for the year would have been higher by Rs. 197, 892, 924 while profit after tax and revenue reserves would have been higher by Rs. 133,686,565.

d Revenue Recognition

Income from operations comprises income from initial rating and surveillance services and subscription to information services. Initial rating fee is recognized as income on assignment of rating by the Rating Committee. The company recognizes a portion of surveillance fees as income, commensurate with the efforts involved, on the date the surveillance activity is completed. The balance surveillance fee is recorded equally over the 12 months surveillance period which commences 1 year after the date of assigning a rating.

Fee for technical know-how is accounted for on accrual basis. Income on subscription to information services is recognized as and when the same is received.

As a matter of prudent policy and on the basis of past experience of recoverability of income, fees in respect of certain defined categories of clients are recognized when there is reasonable certainty of ultimate collection.

Revenue from fixed-price contracts includes following:

License fees, implementation and customization fees:

License, Implementation and Customization fees are recognized on proportionate work completion basis as per the terms of the contract. Proportion of work completion is determined as a proportion of costs incurred to date to the total estimated cost to complete the contract. Provision for expected loss is recognized immediately when it is probable that the total estimated costs will exceed total contract value.

'Unbilled revenue' represents revenues in excess of amounts billed. These amounts are billed after the milestones specified are achieved as per the terms of the contract. 'Advance billing' represents billing in excess of revenues recognized. Warranty costs on sale of services are accrued based on management's estimates and historical data at the time related revenue are recorded.

Annual maintenance contracts:

Revenue from maintenance contracts is recognized over the term of maintenance.

e Investment Income

Dividend from investments is recognized as income as and when the right to receive the same is established. Interest income is accrued on a time proportion basis over the period of investment.

f Fixed Assets

Fixed assets are stated at cost less accumulated depreciation.

Intangible Assets: Cost for internally developed software assets are accumulated and capitalized when ready for use in case of our subsidiary company.

Tangible fixed assets are recorded at the cost including expenses up to commissioning /putting the asset into use are followed in our subsidiary company.

g Depreciation

Depreciation is provided on straight - line method in the manner and at the rates prescribed in Schedule XIV of the Companies Act, 1956. Depreciation on assets added, sold or discarded during the year has been provided on a pro-rata basis.

Depreciation in case of the subsidiary company is provided on written down value method in the manner and at the rates prescribed in Schedule XIV of the Companies Act, 1956 except for leasehold improvements which are written off over the lease period.

Computer software is written off in the year of purchase.

Software development expenses are written off over a period of five years in our subsidiary company.

Adjustments to the fixed assets of the subsidiary to bring in line with the accounting policy of the holding company at the time of consolidation is not done, since the same is not material.

h Operating Leases

Leases of assets under which all the risks and benefits of ownership are effectively retained by lessor are classified as operating leases. Payments made under operating leases are charged to the Profit & Loss Account, on a straight line basis, over the lease term.

i Investments

Investments are classified into current and long-term investments. Long-term investments are carried at cost. Provision for diminution, if any, is made if the decline in value is other than temporary in nature. Current investments are stated at lower of cost and fair value. Any reduction in fair value and reversals of such reduction are included in Statement of Profit & Loss. Investments in Commercial Paper stated at carrying cost.

j Foreign Currency Translation

Foreign currency transactions are recorded, on initial recognition in the reporting currency, at the prevailing rates as at the date of such transactions.

Foreign currency monetary items are reported using the closing rates. Non-monetary items which are carried in terms of historical costs denominated in a foreign currency are reported using the exchange rate at the date of transaction.

Exchange differences, arising on settlement of monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expense in the year in which they arise.

k Retirement Benefits

The Company provides retirement benefits to its employees in the form of Provident Fund, Superannuation and Gratuity.

- i)** Contribution to the Provident Fund is made at the prescribed rates to the Provident Fund Trust / Commissioner. Contribution to Provident Fund is charged to Statement of Profit & Loss.
- ii)** Superannuation benefit is contributed by the Company to Life Insurance Corporation of India (LIC) @ 10% of basic salary of the employees with respect to certain employees. Contribution to Superannuation Fund is charged to Statement of Profit & Loss.
- iii)** Company accounts for the liability of future gratuity benefits based on actuarial valuation. The company has created a trust for future payment of gratuities which is funded through gratuity-cum-life insurance scheme of LIC of India (Defined Benefit Plan)
- iv)** Long term compensated absences are determined on the basis of actuarial valuation made at the end of each financial year using the projected unit credit method except for Short term compensated absences which are provided for based on estimates. Actuarial gain and losses are recognized immediately in the statement of Profit and Loss Account as income or expenses.

l Accounting for taxes

- i) Current Tax :** Current tax is provided on the taxable income in accordance with the provisions of the Income Tax Act, 1961.
- ii) Deferred Tax :** The Deferred tax is accounted in accordance with the Accounting Standard 22 "Accounting for Taxes on Income". The Deferred tax for the year on timing differences are accounted at tax rates that have been enacted by the Balance Sheet date.

Deferred tax assets arising from the timing difference are recognized to the extent that there is reasonable certainty that sufficient future taxable income will be available.

m Provisions and Contingent Liabilities

The Company creates a provision where there is present obligation as a result of past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

n Impairment of Asset

The impairment of assets is accounted in accordance with Accounting Standard 28 "Impairment of Assets". As asset is treated as impaired when the carrying cost of asset exceeds its recoverable value. An impairment loss, if any, is charged to the Profit & Loss Account to the extent carrying amount of asset exceeds their recoverable amount in the year in which an asset is identified as impaired.

o Foreign currency transactions

Foreign exchange transactions are recorded at the spot rates on the date of the respective transactions. Exchange differences arising on foreign exchange transactions settled during the year are recognized in the Statement of profit and loss of the year.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the closing exchange rates on that date. The resulting exchange differences are recognized in the Statement of profit and loss.

Note 2

Share Capital

	As at March 31, 2012	
	Number	Amount Rs.
Authorised		
Equity Shares of Rs.10 each	30,000,000	300,000,000
Issued, subscribed and fully paid up		
Equity Shares of Rs.10 each	28,552,812	285,528,120
Total issued, subscribed and fully paid up share capital	28,552,812	285,528,120

a Shares reserved for issue under options / commitments

The Board of Directors and shareholders of the Company through their resolutions dated February 18, 2012 and April 18, 2012, respectively, approved the Stock Option Scheme of Credit Analysis and Research Limited, 2012 to issue stock options only to erstwhile Managing Director in accordance with the Grant Proposal. Accordingly, a grant letter dated April 20, 2012 was issued to him.

In terms of the Grant Letter, 1,94,622 stock options equivalent to 1,94,622 Equity Shares (including adjustments for prior issue of bonus shares made by the Company in the year 2010 and 2011) were granted to him on April 20, 2012. In terms of the Scheme and the Grant Letter, he was required to exercise the stock options within the exercise period specified therein.

In accordance with the terms of the Scheme and the Grant Letter, the exercise period expired on May 5, 2012, he did not exercise the stock options that were granted under the Grant Letter. Therefore, stock options granted to him lapsed in accordance with the terms of Scheme and the Grant Letter and there are no outstanding options as on date.

Note 3

Reserves and Surplus

	Amount Rs.
	As at March 31, 2012
a. Capital Redemption Reserve	2,250,000
b. Securities Premium Account	20,106,747
c. General Reserve	
Opening Balance	1,125,183,924
(+) Current Year Transfer	120,000,000
(-) Utilized for issuing fully paid up bonus shares	190,352,080
Closing Balance	1,054,831,844

Credit Analysis & REsearch Ltd.

Consolidated notes to the financial statements for the year ended on March 31, 2012

Note 3

Reserves and Surplus - (Contd.)

	Amount Rs.
	As at March 31, 2012
d. Surplus / (deficit) in the statement of profit and loss	
Opening balance	1,784,828,569
(+) Net Profit/(Net Loss) For the current year	1,076,105,212
(-) Interim Dividends	285,528,120
(-) Tax on Interim Dividends	46,319,800
(-) Transfer to Reserves	120,000,000
Closing Balance	2,409,085,861
Total Reserves & Surplus	3,486,274,452

Note 4

Deferred Tax Liability (Net)

	As at March 31, 2012
Depreciation on Fixed Assets	44,624,430
Less : Deferred Tax Assets	
Provision for Leave Encashment	11,910,388
Total	32,714,042

* Deferred Tax assets have not been recognised in the financial statements of the subsidiary in absence of virtual certainty of realisation.

Note 5

Long term provisions

	As at March 31, 2012
Provision for employee benefits	
Provision for Leave Encashment	22,750,481
Others	
Provision for straightlining of rent	23,040
Total	22,773,521

Note 6**Other Current Liabilities**

	Amount Rs.
	As at March 31, 2012
Unearned Revenue	343,750,373
Sundry Creditors for Expenses*	7,436,589
Other Liabilities	41,168,900
Trade Payables	905,881
Total	393,261,743

*Refer note 26 for amounts due to micro, small and medium enterprises

Note 7**Short Term Provisions**

	As at March 31, 2012
Provision for employee benefits	
Provision for Leave Encashment	13,958,990
Provision for Variable Pay to employees	41,000,000
Provision for Leave Travel Allowance	16,026,159
Others	
Provision for warranty	115,341
Total	71,100,490

Note 8

Amount Rs.

Fixed Assets	Gross Block			Impairment			Depreciation			Net Block As at 31-Mar-12		
	As at 1-Apr-11	Additions during the year	Deductions during the year	Addition/deletion on account of consolidation*	As at 31-Mar-12	As at 1-Apr-11	During the Year	As at 31-Mar-12	Upto 1-Apr-11		For the Year	Addition/ deletion account of consolidation
Tangible Assets												
Furniture & Fixtures	38,016,470	3,300,866	-	2,223,314	43,540,600	-	-	-	10,146,585	2,545,047	1,566,482	14,258,114
Office Equipments	16,120,049	2,048,873	-	1,347,962	19,516,884	-	-	-	3,151,743	856,937	771,547	4,780,227
Computers	32,342,156	10,395,704	-	1,456,023	44,193,883	-	-	-	12,170,344	5,347,507	1,330,668	18,848,519
Vehicles	6,029,790	4,000,000	-	-	10,029,790	-	-	-	1,222,272	575,929	-	1,798,201
Electrical Installations	5,874,948	674,683	-	-	6,549,631	-	-	-	1,017,946	449,177	-	1,467,123
Buildings	366,570,907	58,255,920	-	-	424,826,827	2,257,525	-	2,257,525	14,466,179	6,129,894	-	20,596,073
Leasehold Improvements	-	-	-	400,137	400,137	-	-	-	-	-	400,137	400,137
Total Tangible Assets (A)	464,954,270	78,676,046	-	5,427,436	549,057,752	2,257,525	-	2,257,525	42,175,069	15,904,491	4,068,834	62,148,394
Intangible Assets												
Computer Software	15,628,697	3,024,669	-	30,205,295	48,858,661	-	-	-	15,628,697	5,523,847	2,173,1587	42,884,131
Goodwill on Consolidation	-	72,274,963	-	-	72,274,963	-	-	-	-	-	-	-
Total Intangible Assets (B)	15,628,697	75,299,632	-	30,205,295	121,133,624	-	-	-	15,628,697	5,523,847	21,731,587	42,884,131
Total	480,582,967	153,975,678	-	35,632,731	670,191,376	2,257,525	-	2,257,525	57,803,766	21,428,338	25,800,421	105,032,575
												484,651,833
												5,974,530
												72,274,963
												78,249,493
												562,901,376

Note 9

Non Current Investments

Amount Rs.

	As at March 31, 2012
Other Investments (valued at cost, unless stated otherwise)	
A) QUOTED	
1) Investment in Bonds of PSUs	
300 Bonds 6.32% Tax Free Bonds of Indian Railway Finance Corporation (FV Rs 100000) (Maturing on December 20, 2017)	30,000,000
400 Bonds of 6.85% Tax Free Bonds of India Infrastructure Finance Co. Ltd. (FV Rs 100000) (Maturing on January 22, 2014)	40,000,000
400 Bonds of 6.85% Tax Free Bonds of India Infrastructure Finance Co. Ltd. (FV Rs 100000) (Maturing on March 20, 2014)	40,000,000
1,000 Bonds of 6.00% Tax Free Bonds of Indian Railway Finance Corporation (FV Rs 100000) (Maturing on March 8, 2015)	100,000,000
43,502 Bonds of 8.24% Tax Free Bonds of Indian Railway Finance Corporation (FV Rs 1000) (Maturing on February 2022)	43,502,000
49,448 Bonds of 8.20% Tax Free Bonds of National Highway Authority of India (FV Rs 1000) (Maturing on June 25, 2022)	49,448,000
1,42,718 Bonds of 8.20% Tax Free Bonds of Power Finance Corporation (FV Rs 1000) (Maturing on February 01, 2022)	145,018,000
	447,968,000
2) Investment in Gold ETF	
9563 Units UTI MF Gold Traded Mutual Fund	22,524,472
5247 Units IDBI MF- Gold Exchange Traded Fund Open Ended	15,007,017
8417 Units Kotak MF- Gold Exchange Traded Fund	20,022,056
423647.836 Units Kotak MF- Gold Exchange Traded Fund	14,000,000
	71,553,545

Note 9

Non Current Investments - Contd.

Amount Rs.

	As at March 31, 2012
B) UNQUOTED	
1) Investment in various Equity Mutual Fund Schemes	
234366.421 units DSP Blackrock Top 100 Equity Fund Regular G	22,500,000
698854.824 units Franklin India Bluechip Fund Dividend Re-investment	25,280,635
114947.2898 units HDFC Top 200	22,500,000
1716519.681 units ICICI Prudential Top 100 Fund Dividend	24,318,094
	94,598,729
2) Investment in G-Sec	
Face value - Rs. 50,000,000 G-Sec 8.79% Government of India 2021 (Maturing in 2021)	50,782,050
3) Investment in various Fixed Maturity Plans of Debt Mutual Funds	
5,000,000 units of Baroda Pioneer FMP 367 Days Plan - Series 3	50,000,000
2,000,000 units of Birla Sun Life Fixed Term Plan - Series DT G Plan	20,000,000
10,000,000 units of DWS Fixed Term Fund Series 80- G Plan	100,000,000
4,000,000 units of DWS Fixed Term Fund Series 92- G Plan	40,000,000
8,002,950 units of HDFC FMP 13 M March 2010 - G	80,029,509
4,000,000 units of HDFC FMP - 36M - Apr 2010 (12) - G	40,000,000
12,502,620 units of ICICI Pru FMP Series 51- 3years Plan F Cumulative	125,026,200
5,000,000 units of IDFC Fixed Maturity Plan - Yearly Series 54 G	50,000,000
6,002,197 units of IDFC FMP Yearly Series 52 - G	60,021,965
5,000,000 units of Kotak FMP Series 60 G	50,000,000
9,331,838 units of Kotak FMP Series 74 G	93,318,380
10,021,068.075 units of Reliance Fixed Horizon Fund Xiv Series 7	100,210,680

Note 9

Non Current Investments - Contd.

	Amount Rs.
	As at March 31, 2012
3,870,000 units of Reliance Fixed Horizon Fund XIV - Series 9 - G	38,700,000
5,418,150 units of SBI Debt Fund Series 367 Days- 11- G	54,181,500
8,000,000 units of Sundaram Fixed Term Plan - CQ - 370 Days - G	80,000,000
8,418,339 units of Tata FMP Series 36 - Scheme C	84,143,382
7,500,000 units of Tata FMP Series 37 - Scheme C	75,000,000
4,500,000 units of Tata FMP Series 39 - Scheme H - 367 Days - G	45,000,000
5,395,942.01 units of UTI - Fixed Term Income Fund - Series IX - III- G	53,959,366
4,288,960 units of UTI - Fixed Term Income Fund Series IX-V -367 Days- G	42,889,600
6,516,264.63 units of UTI - Fixed Term Income Fund - X - X -367 Days - G	65,162,701
2,250,000 units of UTI - Fixed Term Income Fund -X - VII - 368 Days - G	22,500,000
	<u>1,370,143,283</u>
Total	<u>2,035,045,607</u>
Aggregate amount of quoted investments (Market value: Rs.525,513,271)	519,521,545
Aggregate amount of unquoted investments	1,515,524,062
Aggregate provision for diminution in value of investments	-

Note 10**Long Term Loans and Advances** (Unsecured, considered good)**Amount Rs.**

	As at March 31, 2012
Deposits	6,674,222
Vehicle Loan to Employees	1,233,869
Accrued Interest on Loans to Employees	289,848
Other Loans and Advances	
Prepaid Expenses	903,787
Advance payment of taxes (Net)	109,467,746
Total	118,569,472

Note 11**Other Non Current Assets** (Unsecured, considered good)

	As at March 31, 2012
Interest Accrued on Investments	8,967,298
Cenvat Credit	368,071
Gratuity	199,867
Total	9,535,236

Note 12

Current Investments

Amount Rs.

	As at March 31, 2012
Other Investments (valued at lower of cost or fair value, unless stated otherwise)	
A) QUOTED	
1) Investment in Commercial Paper (valued at carrying cost)	
200 Units Commercial Paper - First Blue Home Finance Ltd 15-05-2012 (Maturing on May 15, 2012) 364 Days	90,114,600
200 Units Commercial Paper - Tata Capital Ltd. 30-05-2012 (Maturing on May 30, 2012) 365 Days	90,594,900
200 Units Commercial Paper - Trapti Trading & Investment 06-06-2012 (Maturing on June 06, 2012) 365 Days	90,114,600
200 Units Commercial Paper - J. M Financial Ltd. 12-06-2012 (Maturing on June 08, 2012) 365 Days	89,952,900
100 Units Commercial Paper - Tata Capital Ltd. 30-09-2012 (Maturing on September 30, 2012) 364 Days	45,518,350
200 Units Commercial Paper - TGS Investments & Trade Pvt. Ltd. 30-06-2012 (Maturing on June 30, 2012) 365 Days	90,260,600
	496,555,950
B) UNQUOTED	
1) Investment in various open-ended Debt Mutual Funds	
61438.674 units of Canara Robeco TAF Super IP DDR	76,227,577
51560.916 units of IDBI Ultra Short Term Fund DDR	51,560,916
	127,788,493
Total	624,344,443
Aggregate amount of quoted investments (Market value: Rs. 538,168,750)	496,555,950
Aggregate amount of unquoted investments	127,788,493
Aggregate provision for diminution in value of investments	-

Note 13

Trade Receivables (Unsecured, considered good)

Amount Rs.

	As at March 31, 2012
- Debts o/s for a period exceeding six months	44,126,381
- Other Debts	119,236,297
Total	163,362,678
Less: Provision for bad and doubtful debts	3,664,791
Total	159,697,887

Note 14

Cash and Bank Balances

	As at March 31, 2012
Cash and cash equivalents	
Cash on hand	83,455
Cheques in hand	34,297,073
Other Bank Balances	
- On Current Account	138,117,731
- Deposit Accounts	530,000,000
Total	702,498,259
<i>Deposit accounts with more than 12 months maturity</i>	475,000,000

Note 15

Short Term Loans and Advances (Unsecured, considered good)

	As at March 31, 2012
Deposit	235,188
Advance to Suppliers	1,556,282
Advances recoverable in cash or in kind or for value to be received	
- Prepaid Expense	7,912,235
- Other Advances	1,880,160
- Loans to Employees	1,125,498
Total	12,709,363

Note 16

Other Current Assets

	As at March 31, 2012
Interest Accrued on Investments	68,984,706
Accrued Interest on Loans to Employees	14,149
Unbilled Revenue	3,243,610
Total	72,242,465

Note 17**Revenue From Operations**

	Amount Rs.
	For the year ended March 31, 2012
Rating Income (including Surveillance)	1,768,493,399
Fee for Technical Know-how Services	1,740,535
Sale of Publications / Information Services	10,516,469
License Fees and Implementation Fees (including AMC)	14,969,298
Total	1,795,719,701

Note 18**Other Income**

	For the year ended March 31, 2012
Interest on Investment	
- On Long Term investment	84,742,488
- On Short Term investment	16,906,276
- Interest on Others	1,714,720
Dividend on Investments	
- On Long Term investment	1,530,640
- On Short Term investment	31,612,727
Profit/(Loss) on Redemption/Sale of investments (Net)	
- On Long Term investment	145,412,928
Forex Gain	1,197,855
Miscellaneous Income	57,618
Total	283,175,252

Note 19**Employee Benefits Expense**

	For the year ended March 31, 2012
Salaries and Other Allowances *	386,819,481
Contribution to Provident, Gratuity & Other Funds	26,785,677
Staff Welfare Expenses	14,522,543
Total	428,127,701

* includes Rs 1,17,32,664 being Leave Travel Allowance provided for earlier years.

Note 20**Other Expenses**

	Amount Rs.
	For the year ended March 31, 2012
Electricity Charges	8,362,413
Postage & Telephone Charges	7,227,694
Rent	14,554,653
Travelling & conveyance	25,349,696
Directors' Sitting Fees	1,285,000
Sitting Fees to Rating Committee	3,233,513
Insurance Premium	1,573,044
Legal/Professional Fee	28,931,396
Rates & Taxes	1,950,557
Repairs & Maintenance	
- Buildings	2,222,690
- Others	7,444,844
Unrealised Exchange Gain/Loss	11,210
Advertisement and Sponsorship Expenses	5,259,811
Training Expenses	922,174
Office Supplies	6,900,119
Bad Debts Written off	3,983,047
IPO Expenses	1,125,000
Auditors Remuneration:	1,050,000
Miscellaneous Expenses	11,937,399
Total	133,324,260

21 Contingent Liability

Capital commitments not provided for - Rs. Nil

Claims against the Company not acknowledged as debts – Rs. 26,579,038/- .

Nature of dues	Period	Amount Rs.
TDS Demands	2006-07, 2007-08, 2009-10, 2011-12	21,533,286
Tax Assessments	2007-08, 2009-10	5,045,752
Total		26,579,038

The Assessing Officer issued an order on 16th June,2010, demanding for penalty u/s 271(1) of the Income Tax Act, 1961, for Rs 54,274,408/- to its subsidiary, Kalypto Risk Technologies Private Limited, for the Assessment Year (A.Y) 2007-08 as a result of disallowance of share related expenditure of Rs 16,124,290 paid to directors and staff below the face value of shares. The said order has been challenged by the company and an appeal has been filed before the Commissioner of Income Tax (Appeals)-20 in Mumbai.

The Company received the order in its favour vide CIT (A) order dated 08.02.2011

The Income Tax department preferred an appeal against the aforementioned CIT(A) order before the Income Tax Appellate Tribunal, which is yet to come up for hearing.”

22 Earnings Per Share

Particulars	Amount Rs.
	For the year ended March 31, 2012
Net Profit After Tax (A)	1,076,328,502
Weighted average number for shares for computation of Basic Earnings Per Share (B)	28,552,812
Basic Earnings Per Share (A/B)	37.70

23 List of Related Parties

Parties	Relationship	Amount Rs.
		For the year ended March 31, 2012
Related party where control exists		
Kalypto Risk Technologies Pvt. Ltd. (75.13% equity stake acquired on 22nd November 2011)	Subsidiary	
Key Management Personnel		
Shri D.R. Dogra	Managing Director	13,188,847
Shri Rajesh Mokashi	Deputy Managing Director	10,599,049
Shri P D Baburaj	From Nov 2011 to Mar 2012 Whole time Director and CEO	113,983
Shirish Atre	From Nov 2011 to Mar 2012 Whole time Director in Kalypto	124,855

24 Payment to Auditors

Particulars	Amount Rs.
	For the year ended March 31, 2012
Audit fees	950,000
In any other capacity :	
(a) Tax Audit fees	100,000
(b) Others including certification	-
Total	1,050,000

25 Disclosure as per Accounting Standard 15 (revised 2005)

The following information is disclosed in terms of Accounting Standards issued by the Institute of Chartered Accountants of India

Amount Rs.

	Gratuity (Funded)	Compensated Leave absence (unfunded)
a Assumptions	Apr 2011 to Mar 2012	Apr 2011 to Mar 2012
Discount Rate Previous	8.25% - 8.60%	8.25%
Rate of Return on Plan Assets Previous	8.00%	-
Salary Escalation Previous	5% - 6%	5.00%
Attrition Rate Previous Year	2% - 5%	2.00%
Discount Rate Current	8.50%	8.50%
Rate of Return on Plan Assets Current	8.00%	-
Salary Escalation Current	5.00%	5.00%
Attrition Rate Current Year	2% - 5%	2.00%
Method of Valuation	Project Unit Credit Method	Project Unit Credit Method
b Table showing changes in Benefit Obligation		
Liability at the beginning of the year	15,553,495	27,373,182
Interest Cost	1,283,163	2,258,288
Current Service Cost	2,787,980	3,572,259
Adjustments for acquisition	1,139,742	-
Past Service Cost (NonVested Benefit)	-	-
Past Service Cost (Vested Benefit)	-	-
Settlement	-	-
Liability Transfer in	-	-
(Liability Transfer out)	-	-
Benefit paid in the normal course	(1,497,371)	(13,030,181)
Actuarial (gain)/loss on obligations	(5,380,255)	16,535,923
Liability at the end of the year	13,886,754	36,709,471
c Table showing fair value of plan assets		
Fair value of plan assets at beginning of year	9,556,856	-
Expected Return on Plan Assets	764,548	-
Contributions	7,333,248	-
Adjustments for acquisition	-	-
Transfer to other company	-	-
Benefit paid in the normal course	(1,497,371)	-
Actuarial (gain)/loss on obligations	719,655	-
Fair value of Plan Assets at the end of year	16,876,936	-
Liability at the end of the year	-	-

	Amount Rs.	
	Gratuity (Funded)	Compensated Leave absence (unfunded)
	Apr 2011 to Mar 2012	Apr 2011 to Mar 2012
d Recognition of Actuarial Gains / Losses		
Actuarial (gain)/loss on obligations for the period.	(5,380,255)	16,535,923
Actuarial (gain)/loss on asset for the period.	(719,655)	--
Actuarial (gain)/loss recognized in Income & Expenses Statement	(6,099,910)	16,535,923
e Recognition of Transitional Liability		
Transition Liability at start	-	-
Transition Liability Recognized during the year	-	-
Transition Liability at end	-	-
f Actual Return on Plan Assets		
Expected Return on Plan Assets	764,548	-
Actuarial gain / (loss) on Plan Assets	719,655	-
Actual Return on Plan Assets	1,484,203	-
g Amount recognized in the Balance Sheet		
Fair Value of Plan Assets at the end of the year	16,876,936	-
Present Value of Benefit Obligation as at the end of the period	13,886,754	36,709,471
Difference	(2,990,182)	36,709,471
Funded Status	-	-
Unrecognized Past Service Cost	-	-
Unrecognized Transition Liability	-	-
Amount recognized in the Balance Sheet	2,990,182	(36,709,471)
h Amount recognized in the Income Statement		
Current Service cost	2,787,980	3,572,259
Interest Cost	1,283,163	2,258,288
Expected return on Plan Assets	(764,548)	-
Actuarial (gain)/loss	(6,099,910)	16,535,923
Past Service Cost (Non Vested Benefit) Recognized	-	-
Past Service Cost (Vested Benefit) Recognized	-	-
Adjustment for acquisition	177,132	-
Expense Recognized in P&L	(2,616,183)	22,366,470
i Balance Sheet Reconciliation		
Opening Net Liability	5,996,639	27,373,182
Expense as above	(2,616,183)	22,366,470
Adjustment for acquisition	(1,139,742)	-
Transfer to other company	-	-
Employer's Contribution	(7,333,248)	-
Benefits paid in the normal course	-	13,030,181)
Benefits paid on account of Settlements	-	-
Amount Recognized in Balance Sheet	(5,092,534)	36,709,471

The reversal in actuarial liability of Rs 2,793,315 Gratuity is not recognized in Statement of Profit & Loss on a conservative basis.

26 Micro, Small and Medium Enterprises

Under the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED) which came into force from October 2, 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises.

On the basis of information and records available with the management, there are no outstanding dues to the Micro, Small and Medium Enterprises as defined in the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED) as set out below:

	For the year ended March 31, 2012
Principal amount and interest due thereon remaining unpaid to any supplier as at the year end	-
Amount of interest paid by the Company in terms of section 16 of the Micro, Small and Medium Enterprises Development Act, 2006 ('MSMED Act'), along with the amount of the payment made to the supplier beyond the appointed day during the accounting year	-
Amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED Act.	-
Amount of interest accrued and remaining unpaid at the end of the accounting year	-

27 The Company acquired 75.13% equity stake in Kalypto Risk Technologies Private Limited on November 22, 2011.

28 Previous year figures

Since the Company acquired majority stake in the subsidiary only in November 2011 and this being the first subsidiary of the Company, disclosure of previous year figures are not applicable.

As per our attached Report of even date

For **Khimji Kunverji & Co.**

Chartered Accountants
Registration no 105146 W

Gautam V Shah

Partner (F-117348)

Mumbai

Date : July 17, 2012

For and on behalf of the Board of
Credit Analysis & REsearch Limited

O. V. Bundellu

Chairman

D. R. Dogra

Managing Director & CEO

Rajesh Mokashi

Dy. Managing Director

Navin K. Jain

Company Secretary

Kalypto Risk Technologies Private Limited

Director's Report for FY 2012

To,

The Members,

Your directors have pleasure in presenting the annual report of your company along with the audited accounts for the year ending March 31, 2012

Economic Background

Following the financial crisis of 2008-09, the Indian Economy did well and recovered to grow by 8.4% p.a. in the subsequent two years. However conditions turned adverse in FY-12 with GDP growth slowing down to 6.5% and industrial growth in particular to 2.8%. There was also a slowdown in investment and gross fixed capital formation rate came down to 32% in FY-12. Inflationary pressures remained in the economy and monetary tightening has witnessed limited and slow pass through, but definitely had a positive impact on inflation. The overall demand remained subdued with the government trying to rein in the budget deficits.

Global economic conditions too were challenging with growth slipping with USA growing by 1.7% (3.2%) and Euro Zone by 1.4% (1.9%). The Euro crisis of Sovereign debt and Bank financials are still in the process of resolution. Quantitative easing in the USA and LTRO (Long Term Refinancing Options) in Euro enabled the flow of liquidity to provide boost to Bank lending.

The Indian Economy was affected in various ways. Trade flows got impacted. Volatility was seen in FII flows. Indian Rupee became vulnerable and saw depreciation. Commodity prices declined. Inflation remains sticky. Financial and Equity markets saw downward trend.

Your company's performance needs to be viewed in the backdrop of extremely challenging economic and financial conditions both domestically and globally.

Financial Results

The overall performance including financial results of your company in fiscal 2011-12 has been moderate as provided overleaf :

	Rs. in Thousands	
	For the year ended March 31, 2012	For the year ended March 31, 2011
Revenue	26,626	28,018
Add: Other Income	1,945	67
Profit before interest, Depreciation & Tax	1,061	1,739
Less: Depreciation	6,324	6,384
Profit/Loss before tax	-5,263	-4,645
Add : Prior Period Adjustment	-	-
Less: Provision for current taxation	-	-
Profit/ Loss after tax	-5,263	-4,645
Add: Profit brought forward from previous year	-51,183	-46,538
Balance deficit carried to Balance sheet	-56,445	-51,183

Kalypto Risk Technologies Private Limited

Director's Report for FY 2012 - Contd.

The company has achieved lower revenue of Rs. 2.66 Cr. for the year as against Rs. 2.88 Cr. in the previous year. However EBITDA has remained positive at Rs. 10.61 Lakhs. The company incurred a loss of Rs. 52.63 Lakhs after tax as against Rs. 46.45 Lakhs in the previous year. The accumulated loss of the company stands at Rs. 564.45 Lakhs.

Operations Review and Outlook

The Company was able to bag 2 new deals in the year in Sri Lanka. Two major deals flows in Africa got postponed, which the Company expected to win, hence the lower revenue in FY-12.

In FY-13, the company is working on actively achieving leadership position in Sri Lanka and to leverage the CARE Ratings parentage to make further inroads in the Indian market. The company also plans to expand its market coverage to identified markets in the Far East, Middle East and Africa with a view to improving the churn in the sales pipeline.

The company is also taking steps to identify allied complementary areas in which new products can be conceived and built with a view to expanding its product portfolio. The company is currently in the Enterprise Risk Management Solution space and has ambitions to become a serious contender in the GRC space in the region.

Dividend

In view of the accumulated losses, your Directors do not recommend any dividend for the year ended March 31, 2012.

Fixed Deposits

The Company has not accepted any deposits from the public within the meaning of Section 58A of the Companies Act, 1956.

Directors

In accordance with the provisions of Articles of Association of the Company, Shri Rajesh Mokashi will retire by rotation at the ensuing Annual General Meeting of the Company and being eligible offer himself for reappointment.

Board Committees

During the year an Audit Committee was constituted with the following members :

1. Shri Lalit Pophale : Chairman
2. Shri Rajesh Mokashi : Member
3. Ms. Shirish Atre : Member

The Audit Committee met once and reviewed the Internal Audit report and draft Annual Audited Results for FY-12 of the Company.

Directors' Responsibility Statement

Pursuant to requirement under Section 217(2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed:

1. that in preparation of the annual accounts the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. that the directors have selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit and loss of the Company for that period;
3. that the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

Kalypto Risk Technologies Private Limited Director's Report for FY 2012 - Contd.

4. that the directors have prepared the accounts for the financial year ended March 31, 2012, on a going concern basis.

Personnel / Human Resources Development

There was no employee who was in receipt of remuneration in excess of the limits prescribed under Section 217 (2A) of the Companies Act 1956, hence to be treated as NIL.

Your Company in pursuit of human development, continuously imparts required training to its employees culminating in good functional competency in the work place for performance.

DISCLOSURE OF PARTICULARS IN ACCORDANCE WITH SECTION 217 (1) (E) OF THE COMPANIES ACT, 1956.

Pursuant to Section 217(1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 the following information is provided.

a) Conservation of Energy

Conservation of Energy is a priority for the Company and continued efforts are being made to reduce energy costs at all levels.

b) Technology absorption

The Company used latest Technology for carrying on its operations.

c) Research and Development

The Company has initiated a regular programme for research and development to improve quality of its products.

Foreign Exchange Earning and Outgo :

During the year the Company incurred following expenditures in foreign currency.

	Amount Rs.	
	For the year ended March 31,2012	For the year ended March 31, 2011
On travel	3,209,775	3,215,311
On commission	98,103	256,048
On rent	941,477	1,473,467
On others	108,560	215,037

During the year the Company earned following revenue in foreign currency.

	Amount Rs.	
	For the year ended March 31,2012	For the year ended March 31, 2011
Revenue from sale of licenses and services	22,792,763	27,466,645

Kalypto Risk Technologies Private Limited

Director's Report for FY 2012 - Contd.

Reply Statutory Audit Observation :

As regards to Auditor's observation in **Point no. iii (a)** of the Annexure to the Auditors (CARO Report) , the Management submits and justifies as under :-.

The Company granted interest free loan of Rs. 10,000,000 during the year under review to M/s Shree Nidhi Secure Print Pvt. Ltd. for which an entry was made in the Register of Contract maintained under Section 301 of the Act. The maximum amount outstanding during the year was Rs 10,000,000 and the year-end balance was Rs Nil. The Management replies by clarifying and justifying that :

- 1. the parent company M/s Shree Nidhi Secure Print Pvt. Ltd, had requested for short term funds**
- 2. Given the long term relationship of the Company with the parent and;**
- 3. Also due to the fact that M/s Shree Nidhi Secure Print Pvt. Ltd. was one of the parties instrumental in setting-up of the company and as a goodwill measure the short term funds was given on interest free basis as has been observed by the Statutory Auditors in its CARO Report dated 5th June 2012 vide Clause no (iii)(b).**

Statutory Auditors

M/s. Khimji Kunverji & Co., Chartered Accountants, is proposed to be appointed as Statutory Auditors of the Company in FY-13, in place of retiring auditor's, M/s. B.S.R & Co., Chartered Accountants who has regretted their inability to accept reappointment. In view of the above, the Board of Directors of the Company at its Meeting held on August 8, 2012 recommended the appointment of M/s. Khimji Kunverji & Co., Chartered Accountants, as the Statutory Auditors of the Company to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting of the Company, on a remuneration to be fixed by the Board of Directors of the company in connection with the audit of the accounts of the Company for the year ending March 31, 2013.

Acknowledgement

Your Directors wish to place on record their appreciation of the sincere and unstinted support provided to the Company by the employees at all levels.

The Directors also thank the bankers namely, Citibank, Bank of Baroda and IDBI Bank for their co-operation.

Your Directors wish to express grateful thanks to the earlier promoters i.e. M/s Shree Nidhi Secure Print Pvt. Ltd. and to the new promoters M/s CARE Ratings for their valuable guidance and support.

On behalf of the Board of Directors

Kalypto Risk Technologies Private Limited

(OV Bundellu)
Chairman

Place: Navi Mumbai
Dated: August 8, 2012

Kalypto Risk Technologies Private Limited

Auditors' Report

To the Members of Kalypto Risk Technologies Private Limited

We have audited the attached Balance sheet of Kalypto Risk Technologies Private Limited ('the Company') as at 31 March 2012, the related Statement of profit and loss and the Cash flow statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We report as follows:

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, ('the Act') we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. Further to our comments in the Annexure referred to above, we report that:
 - (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, the Statement of profit and loss and the Cash flow statement dealt with by this report are in agreement with the books of account;
 - (d) in our opinion, the Balance sheet, the Statement of profit and loss and the Cash flow statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Act;
 - (e) on the basis of the written representations received from the directors of the Company as at 31 March 2012 and taken on record by the Board of Directors, we report that none of the directors is disqualified as at 31 March 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act; and
 - (f) 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 Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i. in the case of the Balance sheet, of the state of affairs of the Company as at 31 March 2012;
 - ii. in the case of the Statement of profit and loss, of the loss of the Company for the year ended on that date, &
 - iii. in the case of the Cash flow statement, of the cash flows of the Company for the year ended on that date.

For **B S R and Co**

Chartered Accountants

Firm's Registration No: 128510W

Vijay Mathur

Partner

Membership No: 046476

Place: Mumbai

Dated: June 5, 2012

Kalypto Risk Technologies Private Limited

Annexure to the Auditors' Report – 31 March 2012

(Referred to in our report of even date)

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The fixed assets have been physically verified by management in line with Company policy of verifying them annually. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) None of the fixed assets have been disposed off during the current year.
- (ii) The Company is a service company, primarily rendering software installation services and does not hold any physical inventory. Accordingly, paragraph 4(ii) of the Order is not applicable to the Company.
- (iii) (a) The Company has granted loans to one company covered in the register maintained under Section 301 of the Act. The maximum amount outstanding during the year was Rs 10,000,000 and the year-end balance was Rs Nil.
- (b) In our opinion, the other terms and conditions on which the loans have been granted to the company listed in the register maintained under the Section 301 of the Act are not, prima facie, prejudicial to the interest of the Company. *In our opinion, the rate of interest on which the loan has been granted to the company listed in the register maintained under the Section 301 of the Act is, prima facie, prejudicial to the interest of the Company since the loan is interest free.*
- (c) Loans granted to the company covered in the register maintained under Section 301 of the Act is repayable on demand and the loan is interest free. Accordingly, we are unable to comment on the regularity of repayment of principal and interest by the borrower.
- (d) There is no overdue amount of more than Rupees one lakh in respect of the loans granted to the company listed in the register maintained under Section 301 of the Act.
- (e) The Company has not taken any loans, secured or unsecured, to or from companies, firms or other parties covered in the register maintained under Section 301 of the Act. Accordingly, paragraph 4(iii) (e) to (g) of the Order is not applicable to the Company.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of fixed assets and for the sale of licenses and services rendered. The activities of the Company do not involve purchase of inventory and sale of goods. We have not observed any major weakness in the internal control system during the course of our audit.
- (v) (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.
- (b) In our opinion and according to the information and explanations given to us, there are no transactions made in pursuance of contracts and arrangements referred to in (a) above and exceeding the value of Rs 5 lakh with any party during the year other than the transaction mentioned in clause iii(a) above.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size of the Company and the nature of its business.
- (viii) The Central Government has not prescribed the maintenance of cost records under Section 209(1) (d) of the Act for services rendered by the Company.

Kalypto Risk Technologies Private Limited
Annexure to the Auditors' Report – 31 March 2012 - Contd.
(Referred to in our report of even date)

- (ix) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues of Provident Fund, Income tax, Sales tax, Service tax, Cess, and any other material statutory dues have been generally regularly deposited during the year by the Company with the appropriate authorities. As explained to us, the Company did not have any dues on account of Investor Education and Protection Fund, Employee's State Insurance, Customs duty, Wealth tax and Excise duty.
- According to the information and explanations given to us, no undisputed amounts payable in respect of Provident fund, Cess, Sales tax, Service tax, Income tax, and other material statutory dues were in arrears as at 31 March 2012 for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us, there are no dues of Income tax, Service tax, Sales tax and Cess which have not been deposited with the appropriate authorities on account of dispute.
- (x) The Company's accumulated losses at the end of the financial year are more than fifty percent of its net worth. However the Company has not incurred cash losses in the current financial year and in the preceding financial year.
- (xi) According to the information and explanations given to us, the Company did not have any outstanding dues to banks, financial institutions or debenture holders during the year.
- (xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion and according to the information and explanations given to us, the Company is not a chit fund or a nidhi/ mutual benefit fund/ society.
- (xiv) According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) The Company did not have any term loans outstanding during the year.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we are of the opinion that the funds raised on short-term basis have not been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to companies, firms or other parties covered in the register maintained under Section 301 of the Act.
- (xix) The Company did not have any outstanding debentures during the year.
- (xx) The Company has not raised any money through a public issue during the year.
- (xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For **B S R and Co**
Chartered Accountants
Firm's Registration No: 128510W

Vijay Mathur
Partner
Membership No: 046476

Place: Mumbai
Dated: June 5, 2012

Kalypto Risk Technologies Private Limited
Balance Sheet as at March 31, 2012

Amount Rs.

	Notes	As at March 31, 2012	As at March 31, 2011
EQUITY AND LIABILITIES			
Shareholders' Funds			
Share capital	3	80,135,000	80,135,000
Reserves and surplus	4	(56,444,989)	(51,182,171)
Non-current liabilities			
Long term provisions	5	1,068,175	943,189
Current liabilities			
Trade payables	6	905,881	1,048,587
Other current liabilities	7	8,310,490	3,553,885
Short term provisions	8	209,948	463,057
Total		34,184,505	34,961,547
ASSETS			
Non-current assets			
Fixed assets			
- Tangible assets	9	1,243,074	1,492,732
- Intangible assets	9	5,974,530	12,015,589
Long term loans and advances	10	1,620,077	1,341,683
Other non current assets	11	1,422,571	1,339,266
Current assets, loans and advances			
Trade receivables	12	3,437,598	6,673,602
Cash and bank balance	13	16,505,336	10,950,585
Short term loans and advances	14	737,709	486,138
Other current assets	15	3,243,610	661,952
Total		34,184,505	34,961,547

Significant accounting policies 2

The accompanying notes from I - 33 form an integral part of this Balance sheet.

As per our report of even date attached.

For **B S R and Co**
Chartered Accountants
Firm's Registration No: 128510W

Vijay Mathur
Partner
Membership No: 046476

Place: Mumbai
Dated: June 5, 2012

For and on behalf of the Board of Directors
Kalypto Risk Technologies Private Limited

O.V. Bundellu
Chairman

P.D. Baburaj
Whole time Director & CEO

Shirish Atre
Whole time Director

Lalit Pophale
Director

Kalypto Risk Technologies Private Limited

Statement of Profit and Loss for the year ended March 31, 2012

Amount Rs.

		For the year ended March 31, 2012	For the year ended March 31, 2011
INCOME			
Revenue from operations	16	26,626,550	28,018,196
Other income	17	1,945,324	67,203
Total Income		28,571,874	28,085,399
EXPENDITURE			
Employee benefits expense	18	14,391,734	13,764,224
Depreciation and amortization of assets	9	6,324,146	6,383,924
Other expenses	19	13,118,978	12,581,833
Total Expenses		33,834,858	32,729,981
Loss for the year before tax		(5,262,984)	(4,644,582)
Tax expense		-	-
Net loss for the year after tax		(5,262,984)	(4,644,582)
Basic and diluted earnings per share (face value of Rs 10 per share)	-	(0.66)	(0.58)
Significant accounting policies	2		

The accompanying notes from 1 - 33 form an integral part of this Statement of profit and loss.

As per our report of even date attached.

For **B S R and Co**
Chartered Accountants
Firm's Registration No: 128510W

For and on behalf of the Board of Directors
Kalypto Risk Technologies Private Limited

Vijay Mathur
Partner
Membership No: 046476

O.V. Bundellu
Chairman

P.D. Baburaj
Whole time Director & CEO

Place: Mumbai
Dated: June 5, 2012

Shirish Atre
Whole time Director

Lalit Pophale
Director

Kalypto Risk Technologies Private Limited

Cash Flow Statement for the year ended March 31, 2012

	For the year ended March 31, 2012	For the year ended March 31, 2011
A Cash Flow from Operating Activities		
Net (loss) before taxation	(5,262,984)	(4,644,582)
Adjustments for:		
Depreciation	6,324,146	6,383,924
Unrealised foreign exchange gain/(loss) net	1,575,159	(405,559)
Operating profit before working capital changes	2,636,321	1,333,783
Adjustments for:		
Increase / (Decrease) Long-term provisions	40,661	307,649
Increase / (Decrease) trade payable	(76,651)	(381,486)
Increase / (Decrease) other current liabilities	5,056,789	1,524,183
Increase / (Decrease) short term provisions	(168,617)	26,186
Decrease / (Increase) long term loans and advances	(209,799)	(6,730)
Decrease / (Increase) other non current assets	(2,683,863)	(110,603)
Decrease / (Increase) trade receivable	2,982,064	(2,236,275)
Decrease / (Increase) short term loans and advances	(259,758)	(158,921)
Net changes in working capital	4,680,826	(1,035,996)
Cash generated from Operations	7,317,147	297,786
Direct taxes paid/(refund received)	(68,595)	-
Net Cash generated from Operating Activities	7,248,552	297,786
Cash Flow from Investing Activities		
Purchase of fixed assets	(33,429)	(36,500)
Net Cash (used) in Investing Activities	(33,429)	(36,500)
Cash Flow from Financing Activities	-	-
Net Cash generated in Financing Activities	-	-
Net increase/ (decrease) in cash and cash equivalents	7,215,123	261,286
Effects of Unrealised Exchange (gain)/loss on Cash and Cash Equivalents	(1,660,371)	278,105
Cash and cash equivalents at the beginning of year	10,950,584	10,411,193
Cash and cash equivalents at the end of year (See Note 1)	16,505,336	10,950,584
Cash and cash equivalents at the year-end comprise:		
Cash in hand	35,888	10,742
Deposits		2,000,000
Balance with scheduled banks in		
— Current accounts	16,469,448	8,939,842
Total	16,505,336	10,950,584

The Cash Flow statement has been prepared under the indirect method as set out in Accounting Standard 3 (AS - 3) on Cash Flow statement prescribed in the Companies (Accounting Standard) Rules, 2006.

As per our report of even date attached.

For **B S R and Co**

Chartered Accountants

Firm's Registration No: 128510W

Vijay Mathur

Partner

Membership No: 046476

Place: Mumbai

Dated: June 5, 2012

For and on behalf of the Board of Directors

Kalypto Risk Technologies Private Limited

O.V. Bundellu

Chairman

P.D. Baburaj

Whole time Director & CEO

Shirish Atre

Whole time Director

Lalit Pophale

Director

I Background

Kalypto Risk Technologies Private Limited, ('the Company') was incorporated on December 15, 2005. The Company is involved in developing specialised risk management solutions addressing the areas of credit risk and operational risk for financial institutions, banks and insurance companies. The Company was a subsidiary of Shree Nidhi Secure Print Private Limited, which held 71.13% of the total shareholding as at March 31, 2011.

During the current year, 5,699,995 equity shares held by Shree Nidhi Secure Print Private Limited and 320,545 equity shares held by employees/ directors were transferred to Credit Analysis and Research Limited on November 22, 2011 thus making the Company a subsidiary of Credit Analysis and Research Limited.

2 Summary of significant accounting policies

2.1 Basis of preparation of financial statements

The financial statements are prepared and presented under the historical cost convention, on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ('Indian GAAP') and comply with the Companies (Accounting Standards) Rules, 2006 issued by the Central Government, in consultation with National Advisory Committee on Accounting Standards ('NACAS') and relevant provisions of Companies Act, 1956 ('the Act') to the extent applicable.

During the year ended March 31, 2012 (effective April 1, 2011), the revised Schedule VI notified under the Act has become applicable to the Company for preparation and presentation of its financial statements. However, the adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the revised Schedule VI.

2.2 Use of estimates

The preparation of financial statements in conformity with Indian GAAP requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Management believes that the estimates made in the preparation of the financial statements are prudent and reasonable. Actual results could differ from those estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

2.3 Revenue recognition

Revenue from fixed-price contracts includes following:

License fees, implementation and customisation fees:

License, Implementation and Customisation fees are recognised on proportionate work completion basis as per the terms of the contract. Proportion of work completion is determined as a proportion of costs incurred to date to the total estimated cost to complete the contract. Provision for expected loss is recognised immediately when it is probable that the total estimated costs will exceed total contract value.

Kalypto Risk Technologies Private Limited

Notes to the accounts for the year ended March 31, 2012

'Unbilled revenue' represents revenues in excess of amounts billed. These amounts are billed after the milestones specified are achieved as per the terms of the contract. 'Advance billing' represents billing in excess of revenues recognised.

Warranty costs on sale of services are accrued based on management's estimates and historical data at the time related revenue are recorded.

Annual maintenance contracts:

Revenue from maintenance contracts is recognised over the term of maintenance.

2.4 Fixed assets and depreciation / amortisation

Intangible assets

Cost for internally developed software assets are accumulated and capitalised when ready for use. Software development expenses are written off over a period of five years.

Tangible assets

Tangible fixed assets are recorded at the cost including expenses up to commissioning /putting the asset into use. Fixed assets are stated at cost less accumulated depreciation / amortisation and impairment loss, if any.

Depreciation / amortisation is provided on all fixed assets on written down value method, at rates and manner specified in Schedule XIV of the Act except for leasehold improvements which are written off over the lease period.

The depreciation rates used are as follows:

Asset Category	%
Leasehold improvements	Over the term of lease
Computers	40.00
Furniture and fixtures	18.10
Office equipments	13.91

2.5 Impairment of assets

In accordance with AS 28 on 'Impairment of Assets' where there is an indication of impairment of the Company's assets, the carrying amounts of the Company's assets are reviewed at each Balance sheet date to determine whether there is any impairment. The recoverable amount of the assets (or where applicable that of the cash generating unit to which the asset belongs) is estimated as the higher of its net selling price and its value in use. An impairment loss is recognised whenever the carrying amount of an asset or the cash generating unit to which it belongs, exceeds its recoverable amount. Impairment loss is recognised in the Statement of profit and loss or against revaluation surplus, where applicable. If at the Balance sheet date, there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is re-assessed and the asset is reflected at the recoverable amount subject to a maximum of the depreciated historical cost.

Value in use is the present value of estimated future cash flows expected to arise from the continuing use of the assets and from its disposal at the end of its useful life, or a reasonable estimate thereof.

2.6 Foreign currency transactions

Foreign exchange transactions are recorded at the spot rates on the date of the respective transactions. Exchange differences arising on foreign exchange transactions settled during the year are recognised in the Statement of profit and loss of the year.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the closing exchange rates on that date. The resulting exchange differences are recognised in the Statement of profit and loss.

2.7 Employee benefits

a) Short term employee benefits

All employee benefits payable wholly within twelve months of rendering the service are classified as short term employee benefits. These benefits include compensated absences such as paid annual leave. Short term employee benefits are recognised as expenses at the undiscounted amount in the Statement of profit and loss of the year in which the related service is rendered.

b) Post employment benefits

Defined contribution plan:

Employee benefit in respect of provident and family pension fund is a defined contribution scheme and the contributions are charged to the Statement of profit and loss of the year in which the employee renders the related service.

Defined benefit plan:

The Company's gratuity benefit scheme is a defined benefit plan. The Company's net obligation in respect of the gratuity benefit scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted.

The present value of the obligation under such defined benefit plan is determined based on actuarial valuation by an independent actuary at each balance sheet date using the Projected Unit Credit Method, which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plan, are based on the market yields on Government securities as at the balance sheet date.

Actuarial gains and losses are recognised immediately in the Statement of profit and loss.

2.8 Taxes on income

Current tax

Provision for current tax is recognised in accordance with the provisions of the Income tax Act, 1961 and is made annually based on the tax liability after taking credit for tax allowances and exemptions.

Deferred tax

Deferred tax charge of credit and the corresponding deferred tax liability or asset is recognised for timing differences between the profits or losses offered for income taxes and profits / losses as per the financial statements. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted as at the balance sheet date.

Deferred tax assets are recognised only to the extent there is reasonable certainty that the asset can be realised in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed as at each balance sheet date and written down or written up to reflect the amount that is reasonably / virtually certain (as the case may be) to be realised.

2.9 Operating lease

Lease rentals in respect of assets acquired on operating leases are recognised in the Statement of profit and loss on a straight line basis over the lease term.

2.10 Earnings per share ('EPS')

The basic earnings per equity share are computed by dividing the net profit or loss attributable to the equity shareholders for the year by the weighted average number of equity shares outstanding during the reporting year.

Diluted EPS is computed by dividing the net profit attributable to the equity shareholders for the year by the weighted average number of equity and dilutive equity equivalent shares outstanding during the year, except where the results would be anti-dilutive.

2.11 Provisions and contingent liabilities

The Company creates a provision where there is present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible or a present obligation that may, but probably will not require an outflow of resources. When there is a possible obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Kalypto Risk Technologies Private Limited
Notes to the accounts for the year ended March 31, 2012

Amount Rs.

3 Share capital	As at March 31,2012	As at 2011 March 31, 2011
Authorised		
10,000,000 (2011: 10,000,000) equity shares of Rs 10 each	100,000,000	100,000,000
	100,000,000	100,000,000
Issued, subscribed and paid-up		
8,013,500 (2011: 8,013,500) equity shares of Rs 10 each fully paid	80,135,000	80,135,000
	80,135,000	80,135,000

Rights, preferences and restrictions attached to shares:

The Company has only one class of equity shares having par value of Rs. 10 per share. Each holder of equity share is entitled to one vote per share. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts, if any. The distribution will be in proportion to the number of equity shares held by the shareholders.

The holding company Credit Analysis and Research Limited has an irrevocable call option to acquire all the shares of the Company owned by the employee shareholders exercisable between April 1, 2014 and March 31, 2017.

The employee shareholders have an irrevocable put option to sell of their respective shares of the Company either individually or collectively to the holding company between April 1, 2015 and March 31, 2017.

The reconciliation of the number of shares outstanding and the amount of share capital as at March 31, 2012 and March 31, 2011 is set out below:

Particulars	As at March 31, 2012		As at March 31, 2011	
	Number of shares	Amount	Number of shares	Amount
At the beginning of the year	8,013,500	80,135,000	8,013,500	80,135,000
Movement during the year	-	-	-	-
Outstanding at the end of the year	8,013,500	80,135,000	8,013,500	80,135,000

Details of shares held by the holding company is set out below:

Particulars	As at March 31, 2012		As at March 31, 2011	
	Number of shares	Amount	Number of shares	Amount
Credit Analysis & Research Ltd.	6,020,540	60,205,400	-	-
Shree Nidhi Secure Print Pvt Ltd	-	-	5,699,995	56,999,950

Details of shareholders holding more than 5% shares is set out below :

Particulars	As at March 31, 2012		As at March 31, 2011	
	Number of Shares	Percentage of holding	Number of Shares	Percentage of holding
Shree Nidhi Secure Print Pvt Ltd	-	-	5,699,995	71.13
Credit Analysis & Research Ltd.	6,020,540	75.12	-	-
P.D.Baburaj	417,960	5.22	578,375	7.22
Shirish Atre	417,960	5.22	578,375	7.22
D Banuprakash	417,960	5.22	578,375	7.22
Yatin Nachane	417,960	5.22	578,375	7.22

Kalypto Risk Technologies Private Limited
Notes to the accounts for the year ended March 31, 2012

	Amount Rs.	
	At at March 31 ,2012	At at March 31 ,2011
4 Reserves and surplus		
Deficit in the Statement of profit and loss		
Balance as at the beginning of the year	(51,182,171)	(46,537,589)
Add : Loss for the year	(5,262,984)	(4,644,582)
Less: Excess Taxation Provision 03-04	166	-
Net deficit in the statement of profit and loss	(56,444,989)	(51,182,171)
5 Long-term provisions		
Provision for employee benefits		
- Gratuity	1,045,135	943,189
Others		
- Provision for straightlining of rent	23,040	-
Total	1,068,175	943,189
6 Trade payables (Current)		
Trade payables towards services received*	905,881	1,048,587
Total	905,881	1,048,587
* of which dues to micro, small and medium enterprises (refer note 30) is Rs Nil (2011: Rs Nil)		
7 Other current liabilities		
Other payables		
Advance billing	7,958,843	3,220,448
Payable to employees	2,054	-
Other statutory dues		
- Tax deducted source	211,406	192,457
- Provident fund	133,386	
- Service tax	-	97,582
- Value added tax	1,401	43,398
- Profession tax	3,400	
Total	8,310,490	3,553,885
8 Short-term provisions		
Provision for employee benefits		
- Gratuity	94,607	84,325
Others		
- Provision for warranty	115,341	378,732
Total	209,948	463,057

Kalypto Risk Technologies Private Limited
Notes to the accounts for the year ended March 31, 2012

9 Fixed assets

	Amount Rs.									
	Tangible Assets					Intangible Assets			Grand Total	
	Leasehold Improve-ments	Computers	Furniture and fixtures	Office equipments	Total	Software development	Total			
Own assets										
Gross block										
As at 1 April 2010	400,137	1,386,094	2,223,314	1,347,962	5,357,507	30,205,295	30,205,295	35,562,802		
Additions during the year	-	36,500	-	-	36,500	-	-	36,500		
Deletions during the year	-	-	-	-	-	-	-	-		
As at 31 March 2011	400,137	1,422,594	2,223,314	1,347,962	5,394,007	30,205,295	30,205,295	35,599,302		
Additions during the year	-	33,429	-	-	33,429	-	-	33,429		
Deletions during the year	-	-	-	-	-	-	-	-		
As at 31 March 2012	400,137	1,456,023	2,223,314	1,347,962	5,427,436	30,205,295	30,205,295	35,632,731		
Accumulated depreciation										
As at 1 April 2010	400,137	1,213,177	1,326,139	618,958	3,558,411	12,148,646	12,148,646	15,707,057		
Charge for the year	-	79,085	162,374	101,405	342,864	6,041,060	6,041,060	6,383,924		
On deletions/disposals during the year	-	-	-	-	-	-	-	-		
As at 31 March 2011	400,137	1,292,262	1,488,513	720,363	3,901,275	18,189,706	18,189,706	22,090,981		
Charge for the year	-	62,802	132,986	87,299	283,087	6,041,059	6,041,059	6,324,146		
On deletions/disposals during the year	-	-	-	-	-	-	-	-		
As at 31 March 2012	400,137	1,355,064	1,621,499	807,662	4,184,362	24,230,765	24,230,765	28,415,127		
Net Block										
As at 31 March 2011	-	130,332	734,801	627,599	1,492,732	12,015,589	12,015,589	13,508,321		
As at 31 March 2012	-	100,959	601,815	540,300	1,243,074	5,974,530	5,974,530	7,217,604		

Kalypto Risk Technologies Private Limited
Notes to the accounts for the year ended March 31, 2012

	Amount Rs.	
	As at March 31, 2012	As at March 31, 2011
10 Long term loans and advances <i>(Unsecured, considered good)</i>		
Others		
- Advance tax [net of provision for tax Rs Nil (2011: Rs 3,500)]	1,620,077	1,341,683
Total	1,620,077	1,341,683
11 Other non-current assets		
Others		
- Rental deposits	1,054,500	1,054,500
CENVAT credit	368,071	284,766
Total	1,422,571	1,339,266
12 Trade receivables <i>(Unsecured)</i>		
Considered good		
Debts outstanding for a period exceeding six months from the date they are due for payment	-	-
Others	3,437,598	6,673,602
	3,437,598	6,673,602
Considered doubtful		
Debts outstanding for a period exceeding six months from the date they are due for payment	3,664,781	3,177,464
Others	-	-
	3,664,781	3,177,464
Less: Provision for doubtful debts	(3,664,781)	(3,177,464)
Total	3,437,598	6,673,602
13 Cash and bank balance		
Balances with banks		
- in current account	16,469,448	8,939,843
- in deposit account	-	2,000,000
Cash on hand	35,888	10,742
Total	16,505,336	10,950,585
14 Short-term loans and advances		
<i>(Unsecured and considered good)</i>		
Security deposits		
- Rental deposit	235,188	144,749
Others		
- Prepaid expenses	449,967	161,004
- Travel advance	52,554	152,885
- Employee advance	-	27,500
Total	737,709	486,138
15 Other current assets		
Accrued interest	-	302
Unbilled revenue	3,243,610	661,650
Total	3,243,610	661,952

	For the year ended March 31, 2012	For the year ended March 31, 2011
16 Revenue from operations		
Sale of licenses and services	25,327,111	28,018,196
Other operating revenue*	1,299,439	-
Total	26,626,550	28,018,196
*Other operating revenue represents revenue earned from valuation services		
17 Other income		
Interest on income tax refund	4,795	-
Interest income [Tax deducted at source Rs Nil (2011: Rs 6,730)]	521	67,203
Foreign exchange gain (net)	1,940,008	
Total	1,945,324	67,203
18 Employee benefits expense		
Salaries and wages	13,273,484	12,585,079
Contributions to provident and other funds	850,564	806,374
Gratuity	177,132	307,649
Staff welfare expenses	90,554	65,122
Total	14,391,734	13,764,224
19 Other expenses		
Travelling and conveyance	3,868,604	4,991,903
Rent	2,850,403	3,103,307
Professional fees	2,513,795	1,325,645
Guest house expenses	857,127	102,120
Repairs and maintenance		
- Others	639,911	231,742
Electricity expenses	580,996	471,914
Audit fees (Refer note 23)	350,000	350,000
Office expenses	368,683	236,542
Telephone	333,907	360,074
Miscellaneous expenses	92,806	225,355
Software expenses	311,000	40,374
Commission on sales	98,103	256,048
Printing and stationery	90,074	39,088
Board meeting expenses	51,353	-
Bank charges	27,970	31,200
Director's sitting fees	30,000	-
Donations	20,000	-
Postage and courier	17,062	20,334
Profession tax expenses	7,500	7,500
Interest on late payment of Value added tax (VAT)	5,000	-
Insurance expenses	4,684	4,685
Foreign exchange loss (net)	-	318,868
Warranty	-	340,731
Membership fees	-	124,403
Total	13,118,978	12,581,833

Kalypto Risk Technologies Private Limited
Notes to the accounts for the year ended March 31, 2012

20 Earnings per share

	Amount Rs.	
	For the year ended March 31, 2012	For the year ended March 31, 2011
(i) Net loss after tax	(5,262,984)	(4,644,582)
(ii) Number of weighted average equity shares outstanding during the year	8,013,500	8,013,500
(iii) Basic and diluted earnings (in rupees) per share of face value Rs 10 (i / ii)	(0.66)	(0.58)

21 Leases

Operating lease

The Company has taken commercial properties on non cancellable operating lease.

Future minimum lease payments under non cancellable operating leases are set out below:

	For the year ended March 31, 2012	For the year ended March 31, 2011
Lease payments		
Not later than one year	3,052,853	1,573,597
Later than one year but not later than 3 years	3,744,000	-
Lease rent expense for the year	6,796,853	1,573,597

22 Related party transactions

Parties where control exist :

Holding company Shree Nidhi Secure Print Pvt Ltd. (till 21 November 2011)

Holding company Credit Analysis and Research Limited (from 22 November 2011)

Other related parties with whom transactions have taken place during the year :

Key management personnel 1. P D Baburaj - Whole time director and CEO

2. Shirish Atre - Whole time director

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
Managerial remuneration		
P. D Baburaj	1,364,512	1,364,512
Shirish Atre	2,204,906	2,204,905
Reimbursement of expenses		
P. D Baburaj	170,471	190,845
Shirish Atre	202,423	214,921
Loan given and repaid		
Shree Nidhi Secure Print Pvt Ltd	10,000,000	5,000,000
Receivable balance		
P. D Baburaj	-	35,112

Kalypto Risk Technologies Private Limited
Notes to the accounts for the year ended March 31, 2012

23 Auditor's remuneration

Amount Rs.

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
Audit fees *	280,900	275,750
Tax audit Fees *	112,360	110,300
Total	393,260	386,050
* Audit fees and tax audit fees include service tax amounting to Rs 43,260 (2011: 36,050)		

24 Expenditure (on accrual basis) in foreign currency

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
On travel	3,209,775	3,215,311
On commission	98,103	256,048
On rent	941,477	1,473,467
On others	108,560	215,037
Total	4,357,915	5,159,863

25 Earnings in foreign exchange on receipt basis

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
Revenue from sale of licenses and services	22,792,763	27,466,645

26 Particulars of unhedged foreign currency exposures

Particulars	As at March 31, 2012		As at March 31, 2011	
	Amount USD	Amount Rs.	Amount USD	Amount Rs.
Debtors	138,523	7,047,358	181,344	7,999,084
Advance billing (license and implementation fees)	118,445	6,025,864	16,721	737,563
Advance annual maintenance charges	38,005	1,933,504	27,834	1,227,758
Creditors	9,831	500,133	9,831	433,629
Unbilled revenue	57,593	2,930,044	15,000	661,650
Cash on hand	691	35,155	-	-
Bank balance in current account	233,604	11,884,590	160,396	7,075,050

Kalypto Risk Technologies Private Limited
Notes to the accounts for the year ended March 31, 2012

27 Deferred tax assets

Amount Rs.

	For the year ended March 31, 2012	For the year ended March 31, 2011
The components of deferred tax balances are as follows:		
Deferred tax assets		
Difference between book depreciation and depreciation under the Income tax Act, 1961	1,066,986	92,675
Expenditure under Section 43B of the Income tax Act, 1961	352,180	317,502
Provision for doubtful debts / advances	1,132,417	981,836
Carry forward loss and unabsorbed depreciation	7,537,059	6,880,835
Deferred tax liability	-	-

Net deferred tax asset *

* Deferred tax assets have not been recognised in the financial statements in absence of virtual certainty of realisation.

28 Employee benefits

(a) Contribution to provident funds(Defined contribution plan)

Contribution to defined contribution plan, recognised as expense for the year are as under:
Employer's contribution to provident fund Rs.850,564 (2011: Rs.806,374)

(b) Gratuity (Defined benefit plan)

The Company has not funded its gratuity liability. The scheme provides for lump- sum payment to vested employees at retirement, death while in employment or on termination of employment of an amount equivalent to 15 days salary payable for each completed year of service or part thereof in excess of six months.Vesting occurs upon completion of five years of service.

The following table sets out the status of the gratuity plan and the amounts recognised in the Company's financial statements based on actuarial valuation.

(i) Change in the present value of defined benefit obligations

	For the year ended March 31, 2012	For the year ended March 31, 2011
Defined benefit obligation, beginning of the year	1,027,514	719,865
Current service cost	241,037	302,475
Interest cost	85,575	57,589
Actuarial (gain)	(149,480)	(52,415)
Benefits paid	(64,904)	-
Defined benefit obligation, end of the year	1,139,742	1,027,514

(ii) Change in fair value of plan assets

	For the year ended March 31, 2012	For the year ended March 31, 2011
Fair value of plan asset, beginning of the year	-	-
Expected return on plan assets	-	-
Employer's contribution	64,904	-
Benefits paid	(64,904)	-
Actuarial gain	-	-
Fair value of plan assets at the end of the year	-	-
Excess of obligation over plan asset	-	-

28 Employee benefits (Continued)

(iii) Net gratuity cost for the year

	For the year ended March 31, 2012	For the year ended March 31, 2011
Current service cost	241,037	302,475
Interest on defined benefit obligation	85,575	57,589
Expected return on plan assets	-	-
Net actuarial (gain) recognised during the year	(149,480)	(52,415)
Net gratuity cost	177,132	307,649

(iv) Balance sheet reconciliation

	For the year ended March 31, 2012	For the year ended March 31, 2011
Net liability, beginning of the year	1,027,514	719,865
Gratuity cost as above	177,132	307,649
Benefits paid	(64,904)	-
Amount recognised in balance sheet	1,139,742	1,027,514

(v) Assumptions used in accounting for the gratuity plan

	For the year ended March 31, 2012	For the year ended March 31, 2011
Discount Rate (p.a.)	8.60%	8.00%
Attrition rate (p.a.)	5.00%	5.00%
Salary escalation rate (p.a.)	6.00%	6.00%

(vi) Experience adjustments

Gratuity (unfunded)	For the year ended		For the year ended	
	March 31, 2012	March 31, 2011	March 31, 2010	March 31, 2009
Present value of defined benefit obligation	1,139,742	1,027,514	719,865	667,080
Fair value of the plan assets	-	-	-	-
Deficit in the plan	(1,139,742)	(1,027,514)	(719,865)	(667,080)
Actuarial (gain)/loss due to change in assumptions	-	-	-	-
Experience actuarial (gain)/loss adjustments on				
Plan liabilities	(149,480)	(52,415)	(142,941)	(19,466)
Plan assets	-	-	-	-

Kalypto Risk Technologies Private Limited

Notes to the accounts for the year ended March 31, 2012

29 Segment Reporting

The Company recognises information technology (IT) as its only primary segment since its operations predominantly consists of providing a comprehensive range of IT services including developing specialised risk management solutions addressing the areas of credit risk and operational risk for financial institutions, banks and insurance companies. Since the Company operates in a single business segment, the disclosure of primary segment information under accounting standard 17 'Segment Reporting' is not applicable. The Company's geographic segmentation is based on location of customers and comprises United Arab Emirates ('UAE') and Africa, Sri Lanka, and India. Revenue in relation to geographic segments is categorised based on the location of the specific customer entity for which services are performed irrespective of whether the services are delivered onsite or offshore. Categorisation of customer related assets in relation to geographic segments is based on the location of the specific customer entity which is billed for the services.

Significant portions of assets other than customer related assets are located in India and all of the fixed assets are in India.

Particulars	For the year ended March 31, 2012			
	India	UAE and Africa	Srilanka	Total
Revenue from operations	5,787,005	2,741,983	18,097,562	26,626,550
Sundry debtors	55,020	1,256,613	2,125,965	3,437,598
Unbilled revenue	760,131	-	2,483,479	3,243,610

Particulars	For the year ended March 31, 2011			
	India	UAE and Africa	Srilanka	Total
Revenue from operations	521,325	14,801,129	12,695,742	28,018,196
Sundry debtors	1,926,982	4,746,620	-	6,673,602
Unbilled revenue	-	-	661,952	661,952

30 Micro, Small and Medium Enterprises

Under the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED) which came into force from October 2, 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises.

On the basis of information and records available with the management, there are no outstanding dues to the Micro, Small and Medium Enterprises as defined in the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED) as set out below:

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
Principal amount and interest due thereon remaining unpaid to any supplier as at the year end.	-	-
Amount of interest paid by the Company in terms of section 16 of the Micro, Small and Medium Enterprises Development Act, 2006 ('MSMED Act'), along with the amount of the payment made to the supplier beyond the appointed day during the accounting year.	-	-
Amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED Act.	-	-
Amount of interest accrued and remaining unpaid at the end of the accounting year.	-	-

Kalypto Risk Technologies Private Limited

Notes to the accounts for the year ended March 31, 2012

31 Company secretary

The financial statements of the Company have not been authenticated by a company secretary as required by Section 215 (1) of the Act as no whole time company secretary has been appointed as required under Section 383(A) of Companies Act 1956.

M/s. Mruga Corporate Services Pvt Ltd has been appointed as a company secretary to look after the Company's Secretarial matters on a retainership basis.

32 Income Tax

"The Assessing Officer issued an order on June 16, 2010, demanding for penalty us/271(1) of the Income Tax Act for Rs. 5,427,440/- for the Assessment Year (A.Y.) 2007-08 as a result of disallowance of share related expenditure of Rs. 16,124,290 paid to directors and staff below the face value of shares. The said order has been challenged by the company and an appeal had been filed before the commissioner of Income Tax (appeals)-20

The Company received the order in its favour vide CIT (A) order dated 08.02.2011

The Income Tax department preferred an appeal against the aforementioned CIT(A) order before the Income Tax Appellate Tribunal, which is yet to come up for hearing."

33 Previous year figures

The financial statements for the year ended March 31, 2011 were prepared as per the then applicable pre-revised Schedule VI to the Act. Consequent to the notification of Revised Schedule VI under the Act, the financial statements for the year ended March 31, 2012 are prepared as per Revised Schedule VI. Accordingly, the previous year's figures have also been reclassified to conform to this year's classification. Also, certain disclosures under the pre-revised Schedule VI which are not required as per the revised Schedule VI have not been made. The adoption of Revised Schedule VI for previous year figures does not impact recognition and measurement principles followed for preparation of financial statements.

As per our report of even date attached.

For **B S R and Co**
Chartered Accountants
Firm's Registration No: 128510W

Vijay Mathur
Partner
Membership No: 046476

Mumbai
June 5, 2012

For and on behalf of the Board of Directors
Kalypto Risk Technologies Private Limited

O.V. Bundellu
Chairman

P.D. Baburaj
Whole time Director & CEO

Shirish Atre
Whole time Director

Lalit Pophale
Director

Corporate Mission

- To offer a range of high quality services to investors, issuers of debt, equity and other instruments and other participants in the capital market.
- To build a pre-eminent position for ourselves in India in securities analysis, information and related services, and to be an international credit rating agency.
- To earn customer satisfaction and investor confidence through fairness and professional excellence.
- To be deeply committed to our customers, our employees and the community in which we serve.
- To apply the most advanced techniques of securities analysis and information and communications technology for ensuring efficiency and high quality.
- To provide state-of-the-art services of securities rating, information and related services of international standard.